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THE DEPRECIATION
OF
LABOUR AND PROPERTY

WHICH WOULD FOLLOW

The Demonetisation of Silver.

BY

ERNEST SEYD;

(Author of "BULLION AND FOREIGN EXCHANGE," &c.)



LONDON:

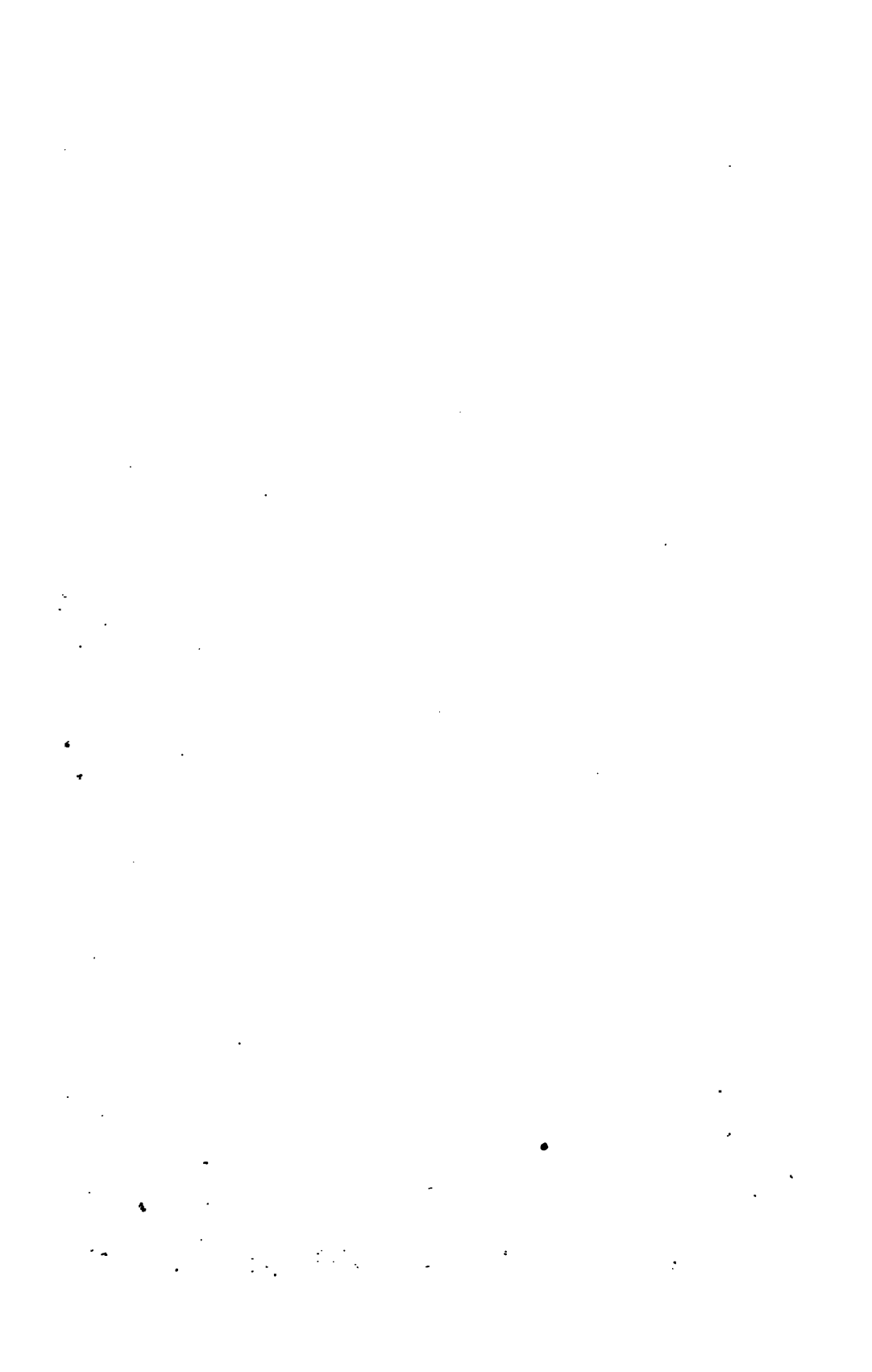
EFFINGHAM WILSON, ROYAL EXCHANGE.

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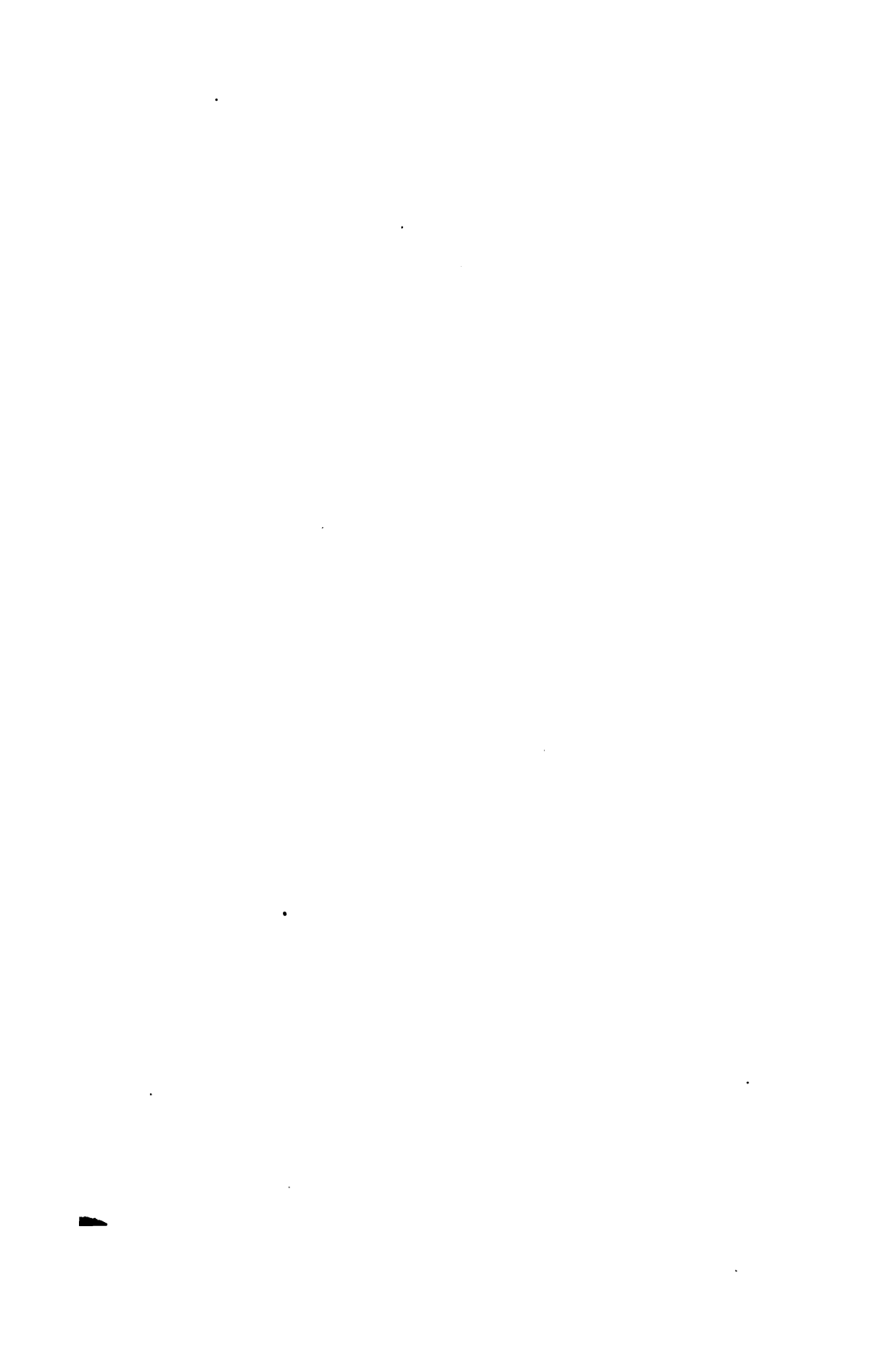


LONDON:

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PREFACE.

THE author of this book ventured, in a work written by him in 1868, entitled "Bullion and Foreign Exchanges,"* to place before the public his views on the existing Standards of Valuation. The chief portion of "Bullion and Foreign Exchanges" consists of a treatise on monetary matters generally, with remarks on the manipulation of the noble metals, the various coinages of the world, the theory and practice of exchanges, and the banking transactions connected therewith. At the end of the book some chapters are given to the consideration of the subject of Valuation which appear to have attracted the notice of many gentlemen of high standing in the monetary world, not in England alone, but also in France and Germany, where the author's views have been freely translated and commented upon.

In compliance with the wishes and suggestions of many friends, the author has resolved to sever the question of Valuation from the technical matters which occupy the larger portion of his book on "Bullion and Foreign Exchanges," and to devote the present volume

* Effingham Wilson, Royal Exchange, London.

exclusively to the treatment of the former important subject.

The author begs to state that this book is not a reprint of the chapters on Valuation in his former work, but that he has entirely recast and rewritten the contents of those chapters on a more suitable plan.

“Bullion and Foreign Exchanges” contains however much other matter bearing upon the subject of Valuation, and may therefore be advantageously consulted by those interested in its study.

The author may be permitted to state that that zealous champion of the cause of the Double Valuation in France, Monsieur Wolowski, Member of the Institute, in a copious work, of which only the first part has as yet been issued, has done him the honour to quote several passages from “Bullion and Foreign Exchanges.”

The author does not return the compliment to M. Wolowski; firstly, for the reason that he thinks, in refraining from doing so, he is better able to work out his own plan; and secondly, because in a book of this kind it is wise to avoid being over copious, as the general public does not like bulky works on such matters, however valuable they may be to those who make them the subject of special study.

CHAPTER I.

UNIVERSAL BASIS FOR THE PROPER UNDERSTANDING
AND DISCUSSION OF THE QUESTION.

THE questions to be considered and discussed in this book are of importance to every member of the human family, for money exercises an immediate and powerful influence upon almost every relation of social life. It is desirable, therefore, when questions arise affecting the use and the value of money, that everybody should be made acquainted with the nature of these questions.

The majority of writers on financial matters are in the habit of starting at once from very high ground, and handling the subject in a recondite manner, which no doubt may suit the intelligence of people thoroughly acquainted with the matter discussed, and able therefore to understand and follow the arguments brought forward in support of the writer's views, but must necessarily fail to reach the comprehension of the ordinary reader. This is the chief reason why books on Finance are, as a rule, looked upon by the great public as dry and unprofitable reading. People in the common walks of life come into contact with Gold, Silver, Copper and Bank Notes, and the faith which

they attach to these descriptions of money is generally sufficient for all that they care in connection with their value. And, although their attention is naturally drawn to certain subjects which now and then are brought forward, such as "The Intrinsic Value of Gold," "The Supply and Demand of Precious Metals," "The Law of Legal Tender," "The Issue of Notes," and a variety of other matters referring to money, they seldom care to investigate what appears to them a maze of difficulties and technicalities. They find the "Currency Questions" apparently so intricate that they prefer blindly to submit to whatever may be done and ordained by those who rule over them, and thus, as the monetary history of many countries will show, the introduction of dangerous enactments is rendered easy, which with a clearer comprehension the general public would certainly have the wish to check and to control.

These evils are aggravated by the contradictory opinions uttered by those who, from inclination, though not qualified by their pursuits, are studying the science of finance, by the swarm of "Currency Doctors," all ready and willing to operate upon the field—all with different remedies, often directly opposed to each other in their supposed effects. There are some who recommend an unlimited issue of Bank Notes to be made by the Government, so as to place everybody in funds; there are others who say that Gold, and nothing but Gold, is the right money. Some recommend that the Government should make coin whose value would rest partly on metal and partly on "Seignorage;"

others do not believe at all in the intrinsic value of Gold. These and a variety of other opinions are given by uninfluential as well as by influential men—and if the intricacies of the subject have previously troubled the ordinary reader, the intricacies of the various proposals made must appear still more formidable.

The fact is that there is perhaps no science in which the disposition to form crotchety conceptions is so strong as in that relating to money. A great many people profess to have financial talents—and are desirous of rendering them available for the benefit of their fellow men in regard to improvements in the Currency. The mistake which they usually make is this: instead of endeavouring to trace out the general and primary source and foundation of the value of money as it presents itself to them, they commence their investigation at some other consideration, which happens to be uppermost in their minds, whether in theory or in practice. The one has heard of the value of labour as the only standard, another combines labour and commodities; one has been in Australia and knows all about Gold, another comes from India and is familiar with its Silver Currency; and thus, beginning at the wrong end, they all come to different conclusions and make different recommendations.

Yet, underlying the whole superstructure of the theory of finance, there must be a first cause to which the use and the value of money can be traced, and this cause, when rightly ascertained, will afford the source from which to draw all the consequences flowing from it.

In looking at a piece of money we may feel inclined to study its origin and its future history ; but all this has little to do with the single and separate fact practically patent to our knowledge that, independent of all other considerations whatsoever, this piece of money is a guarantee of value to us, dating from the time that we receive it, and ceasing at the moment that we part with it. This is the great and undeniable fact as it presents itself to us, and unless the partial and unsatisfactory study of financial science has already irremediably led to the formation or acceptance of peculiar financial crotchets (in spite of the practical proof to the contrary held in hand), common sense finds it easy to return to the following plain questions the subjoined correspondingly plain and straightforward answers :—

Why will a piece of money procure us in exchange a certain quantity of other produce ?

“ Because it is a thing of acknowledged value.”

Why is it a thing of acknowledged value ?

“ Because it is made of Gold or Silver, and Gold and Silver are substances of acknowledged value.”

How is it that Bank Notes may be used in lieu of Gold or Silver money ?

“ Because they bear the promise to pay in Gold or Silver.”

Why cannot the Government of a State make and issue as many Bank Notes as it likes ?

“Because it would not have the Gold or Silver Money required to redeem the promise to pay which the Bank Notes bear upon the face of them, and the latter would accordingly not be worth their professed value.”

This is the common sense view of the matter; and so far the simple principles of monetary science are patent to the ordinary inquirer into the subject.

Here it might be asked, why we should take the trouble to set out with stating facts so plain and self-evident. Does it not look as if we wished to raise a ghost in order to show how easily we may lay it? We disclaim any such intention; but there are theorists in the world of finance, to whom we have before alluded, who will persist in ignoring or distorting these plain facts, and in parading before the public as realities ghosts of their own raising. And these spiritual creations are so numerous that we must at once go to what we conceive to be the fountain-head of reality. For instance, when common sense has answered the above questions as stated, it is by no means uncommon to hear the questioner go on somewhat in the following fashion:

“You say Gold is valuable, and it is its value that gives it its power. Now, when Robinson Crusoe found a lump of Gold in his island, and pushed it aside with contempt, as of no earthly use to him—he would have much preferred a loaf of bread—how is this to be reconciled with your assumption of the value and power of Gold?” We give this instance here by way

of illustration, chiefly because, amongst the number of sophistical arguments current upon the subject of money, it is the one which more especially conveys a leading idea—an idea which has laid a firm hold on the minds of many people, and has subjected to its sway even some of our high financial authorities, in proof of which we may be permitted to quote at foot a passage from Mr. Hankey's "Principles of Banking."*

We shall go more deeply into this subject in the next chapter; for, believing as we do that the settlement of the question of the value of Gold involves equally that of the original exchanging power, and indeed constitutes the true source and foundation of the theory and practice of the general monetary system, we deem it indispensable that this point should be put in the clearest light.

Before closing this chapter we must request the reader to bear in mind that the subjects to be discussed in this book are matters of universal and international importance, and that we must accordingly proceed in their consideration, in the first place, upon general and universal grounds.

In the discussion of subjects of this kind it often occurs that the general and universal principles on

* "Having mentioned Gold, I will merely here say, with reference to that particular commodity, that I know of no other metal which can be accumulated with less general capacity for usefulness than Gold. Gold certainly possesses some merit as an article of merchandise, but if its use for coinage be set aside, I believe that it is the least useful of any metal or mineral production."—*Principles of Banking*, page 4.

which the elucidation of the question should properly proceed are, at some seemingly opportune juncture, displaced from their legitimate position, and forced out of sight, as it were, by the premature introduction of matters of more special and national bearing. We, in England, are somewhat apt to fall into this mistake by unduly importing into the discussion of questions of universal and international finance considerations based more or less exclusively upon our own monetary arrangements or affairs, or connected with our Colonies, or with India.

This tendency to mix up special and national with general and universal considerations cannot but lead to confusion. It is only after a full and satisfactory discussion and elucidation of the general question from a cosmopolitan point of view that special considerations bearing more particularly upon English influence and interest can properly be introduced, and due respect must then be shown to England.

The author feels the more urged to insist upon this preliminary understanding as in another part of this book he will have to refer to the system of Valuation now in force in England in connection with the proposals for a system of Universal Coinage.

The introduction of a Universal Coinage is the next great step in the progress of mankind, but the matter is beset with a number of great and small difficulties arising from the differences in Valuations and in Coinages. One general principle must set aside and rule all these diversified interests.

To be beneficial to the world, these matters require

to be based upon the general principles of the question properly investigated and rightly understood. Where these principles are violated, society will have to bear the penalty. It is this consideration which makes the author so anxious to invite the reader to place himself, in the initial stages of the subject discussed in the present work, along with him on the universal basis for the proper study and understanding of the question.

CHAPTER II.

THE REAL VALUE OF GOLD.

THE conflict of opinions on the value of Gold may be best illustrated by placing side by side the proposition of common sense :—

“That Gold is used as money because it is so valuable.”

and that made by other parties :—

“That Gold is so valuable because it is used as money.”

Which of the two is the correct view? Upon the right decision of this question hinges the proper understanding of all the corollaries flowing therefrom, or connected therewith. Let us cast aside all that has been thought and said in reference to this subject, and all the conventional and catching phraseology with which it has been surrounded of late.

Ordinary human instinct suffices to readily recognise the general differences in the nature of the substances with which man comes into contact. The common hard, rough soil, and other similar coarse matters, are readily distinguished from fine white earth and substances composed of soft and finely colored particles; the ordinary grey stone is thus

at mere sight and touch judged to be inferior to marble and crystal. Similar comparisons can be drawn with equal facility between multifarious inorganic or organic productions upon which the judgment of the five senses can be brought to bear. This requires no special teaching and no special intelligence; but if, in addition to this natural instinct, experience is brought to bear upon the subject, we are enabled, in a measure, to allot to the various substances their respective ranks in the scale of created things; and if besides instinct and experience we call science to our aid, we easily arrive at a number of clearly defined rules, which enable us still more effectually to recognise and class the respective claims of the different bodies conferred upon them through the qualities or properties severally inherent in them. Here it must be borne in mind that these qualities and properties are not bestowed upon the bodies by the five senses, or by experience, or by science; they are only *recognised* by them, and their existence is absolutely independent of our recognition of them. The natural laws are infallible in their operation; our ability to properly appreciate, or to render useful to the fullest extent, the substances before us is quite another matter.

Thus the savage, unacquainted with money, never fails to find out that Gold is a substance to be prized; it is used by him, in the first place chiefly for ornaments, and he will not part with it except in exchange for something which he deems of more substantial benefit to him. Civilised man knows something more of Gold, for his experience teaches him

that it is fit for more refined uses and applications. The man of science lastly fully recognises the fact that Gold is one of the noblest substances in nature.

Gold, it is well known, is almost indestructible. It resists the action of air, of water, of fire, and of nearly every other destructive agent found in nature.

Acids of all kinds, which so readily destroy almost all other metals, &c., and turn them into compounds, do not affect Gold. It requires the artificial combination of two of the strongest acids to produce a salt of Gold. Quicksilver will indeed seemingly dissolve Gold, but it is no actual solution, the amalgam formed being simply the result of a mechanical combination. Upon the whole, Gold is practically indestructible.

Gold is very ductile ; it can be manipulated with great ease, and may be parted and reunited at pleasure. Besides Gold and a few more of the so-called noble metals, there are no other bodies in nature that present such a combination of properties and qualities. The diamond is unquestionably very much harder than Gold ; but fire will destroy it altogether, and it cannot be manipulated.

The beauty of Gold is another important property of that noble metal. Platinum is as "noble" as Gold, perhaps even more so from a chemical point of view, but its color is dull, and it is held only of the one-fifth part or so of the value of Gold. The difference in the relative value of Platinum as compared with Gold may, to some extent at least, be owing to the difference in color. We mention this to show how great a difference in value may thus spring from differences in

some of the minor properties of the several metals. These differences in the minor properties supply us thus at once with a Standard of comparison immediately available. If Standards of comparison of this kind were not so overwhelmingly numerous, there can be no doubt but that we might easily trace also similar differences in the higher properties and so-called "noble" qualities of the different metals, &c. Some of these superior properties possessed by Gold would suffice to render that metal most valuable, quite independent of its present monetary and ornamental uses. It is only the rarity of the article which keeps us at present from turning it to account for a variety of other purposes for which it is otherwise preeminently suited.

Thus, upon its noble properties, the claim of Gold to what is usually called its "intrinsic value" is based; and its Exchanging power affords us the practical proof and measure of this intrinsic value.

Then, what is the degree and extent of the exchanging power of Gold? Upon this point the vaguest and most erroneous notions are occasionally entertained. Many people, among them even high financial authorities, will ignore the true office of Gold, and deny its power, upon the averment of some disqualification or other in the metal to perform certain functions which have nothing whatever to do with its true office. They will start some such objection, for instance, as is implied in the common saying, "You cannot eat Gold!" We must admit, of course, that Gold cannot be eaten, and so we must admit many other disqualifications which Gold shares

in common with other substances, and which have a detractive effect upon its value. How much are we to deduct from the value of Gold for the fact that the metal cannot be eaten?

Taking the value of Gold at £62 per lb. avoirdupois, we have accordingly to deduct for this shortcoming in the metal the value of, say, a pound of wheat, worth 1d, or that of a pound of beef, worth, say 1s. Anything beyond this, we submit, so far as the mere non-eatability of Gold is concerned, would be an unjustifiably excessive deduction.

Supposing, on the other hand, that Gold were eatable, it is clear that in estimating its value we should be entitled in that case to add this 1d or 1s to the £64; and the same principle we may extend further in its application. Thus we might, by way of illustration, take it that Gold should warm us, that it should heal diseases, that it should amuse us, make music of itself, teach us; in brief, that it should be able to fulfil every requirement and perform every office necessary, useful and pleasing to us, and which now devolves upon other things. If this were so, and Gold could actually do and perform all and every of these offices, then Gold would supersede all other commodities, and it would only require a full abundance of Gold to render all and every other substance absolutely superfluous, and hence quite useless and of no value.

It is evident that this purely "positive" process of bestowing all uses and all value absolutely upon Gold would take away every Standard of comparison. We introduce this very abstract positive argument

here in order that we may adduce against it the abstract negative, and then strike the balance between the two. Gold does not possess an absolute paramount, but a relative value only, and it is fair to assume that this relative value results from the balance struck between its merits and its demerits.

Instead of being billion-fold the value of Wheat or Iron, it is only 12,000 times that of the former, and 20,000 times that of the latter; by weight it is 13,000 times the value of Copper, $15\frac{1}{2}$ times the value of Silver, whilst it falls much below the value of precious stones and other rare and costly productions of nature, labour, art and intelligence. These facts reduce the apparently paramount power of Gold to certain reasonable limits.

The position which Gold is found to occupy in the general scale of value is accordingly the result simply of a natural process which has nothing mysterious in or about it, although human intelligence may seem unable to work the problem out by calculation. The elements upon which such a calculation would have to be based, to arrive at a solution satisfactory to the mathematician, are too many and various; but they certainly do actually exist. If then we are thus compelled to fall back upon what is called by actuaries the "theory of probabilities," we are, in view of the strong practical proof which the case furnishes besides, entitled to maintain that the "intrinsic value" of Gold is a reality resting upon a strong natural basis. Hence the saying is right that "Gold is used as money because it is valuable."

The counter proposition that "Gold is valuable because it is used as money" cannot be proved upon grounds directly opposite to those we have made use of here in support of the first proposition; for there is no negative provable to the fact that Gold does possess its well-known properties. This fact must be admitted, and the speculative argument which we have used respecting other applications of Gold, besides its employment as money and for ornaments, cannot be much modified, in so far as the principle is concerned. And from this point of view, which, resting upon facts, cannot be abandoned, the proposition "that Gold is of value because it is used as money" appears to make the cause consequent upon the effect, whilst in logic the effect ought to be consequent upon the cause. If the proposition that "Gold is valuable because it is used as money" were correct, it would appear that we, by so using Gold as money, confer upon that metal a power and a value which it does not otherwise possess; that we raise, in fact, a valueless substance, simply by the uses to which we *choose* to turn it. And supposing, for the sake of argument, Gold to have thus no inherent value of its own, the question lies very near—Why do we not employ other materials for the same purpose, and confer value upon them by the use we make of them? Silver, Copper and Zinc can be made into coins as easily as Gold: then why not make them into coins, and declare the pieces struck, say, with the same stamp as the sovereign, to be worth a sovereign each? The one thing ought to be as practicable as the other. However, we know, from experience, based

upon incontrovertible facts, that this suggestion cannot possibly be carried out.

The proposition as to the value conferred upon Gold by the particular uses to which it is turned, seems, nevertheless, of importance when the question is asked—"Supposing we make up our minds to abandon the use of Gold for money, would the value of the metal be affected thereby?"

We must at once admit that the value, or rather the price, of Gold would thereby be influenced, and that the mass of Gold thrown upon the market would lower its price at once. Whether, in the event of the adoption of another standard of value, Gold would recover its relative value or price hereafter is another question; but it is clear that, at first, a decline in the exchanging power of the metal would take place. Thus it would seem at the first glance that the proposition contains something worthy of our serious consideration. To express the meaning of this theory, we may have recourse to the term "demand value of Gold." (The use of this expression, "demand value," is quite legitimate. For, although it would appear that between supply and demand there ought to be a neutral point, yet in the case of Gold it is difficult to determine the exact relative value of the article at that neutral point; and, as a matter of ordinary experience, it will be conceded that the demand exceeds the supply. Among the terms abundance and supply, demand and rarity, on this ground as well as on the grounds of natural law, the term "rarity" would become applicable to Gold as one of the natural attri-

butes of the metal; we therefore hold the expression "demand value" the most appropriate.)

Thus, intrinsic value and demand value (rarity?) would seem to constitute the basis of the general value or price of Gold. It remains to be seen what is the nature of the combination between them.

At this point, however, it is advisable that we should first place before the reader the more immediate cause which has given rise to the consideration of these principles, so as to enable him still more thoroughly to appreciate the greater or lesser force of the "demand value" of Gold.

The discoveries of the Californian and Australian Gold-fields in 1849-51 brought about a sudden large addition to the stock of Gold in the world; and up to the present time we may estimate this addition as nearly equivalent to the doubling of the quantity known to exist before these discoveries. This fact gave rise to the apprehension that Gold would consequently fall in value, and Michel Chevalier, the French economist, gave expression to this supposition in a work of his, published in 1859, entitled, "On the Probable Fall in the Value of Gold." His views seemed, to a certain extent, borne out by facts, for the prices of goods had then already begun to rise, which, according to theory, is held tantamount to a fall in the price of Gold. However, we shall see hereafter that his prognostications were wrong.

But we have here come upon a consideration which evidently must have an influence upon the "demand value" of Gold, of a somewhat similar character to

that of a supposed abandonment of the use of Gold for monetary purposes. We find, in fact, that the usage value of Gold is dependent not only upon its employment, but also upon the quantity at hand available for employment; in other words, the important question of the *Demand for and Supply of Gold* is before us. The demand value is accordingly a combination of the two elements of demand and supply; and we have thus gained a further stage in our inquiry as to the value of Gold, which accordingly may be said to be composed of *its intrinsic value together with the demand value*, the latter being dependant on demand and supply.

How is this compound value of the article to be determined? The intrinsic value appears to be a fixed element, not liable to any change. Are we to add to this the demand value as resulting from demand and supply? The first being an influence opposed to the second it is clear that, as positive and negative counter-balance each other, there would be nothing left, and consequently nothing would have to be added to the intrinsic value; but if a balance remains between demand and supply, by their not absorbing each other, there would have to be made, in the event of this balance being in favour of demand, an addition to, and in the event of a balance in favour of supply, a deduction from the price of Gold.

The attribute of "rarity" in Gold must therefore remain one of positive force, until it is turned to "abundance," overwhelming the demand. In the meantime intrinsic value and demand and supply must

be regarded as the basis for determining the value of Gold.

The question of demand for and supply of Gold is one which has engrossed the attention of many social economists, and many of them have committed grave errors in reference to it. For they have taken for the basis of their calculations exclusively the supply of Gold. Their theory is, that if the quantity of Gold were to be doubled, the value of Gold would fall to one-half (the purchasing power of a sovereign would fall to that of half-a-sovereign); and if the quantity of Gold were reduced to one-half the price of Gold would be doubled (half-a-sovereign would be worth a whole one). It must be admitted that this seemingly simple and natural way of calculating the matter is apt to seduce intellects incapable of dealing with more than one element at a time. But the fallacy of such a general law can be proved without immediate reference to the question of Gold. Supposing, for instance, that a community were possessed of a certain number of acres of land from which it derived sustenance; if this number of acres were reduced to one-half would that one-half be of the same value as the whole, just because it seems necessary that the one-half should render the same service as was formerly rendered by the whole? And if this process of reduction were carried out farther, down to one-tenth of the quantity, would the land be worth then ten times its original value? It will be admitted that the land would ultimately become valueless, by reason of its lessened quantity. Many familiar illustrations of this kind may

be given, in order to prove that a "doctrine of limits" is involved in these considerations, which carries with it a direct and decisive effect against the above seemingly absolute and easy rule.

Those who favour this rule are led away by the idea that the intercourse between mankind must go on, whether we have Gold or not; that, therefore, any quantity of money, large or small, must perform the same offices. They do not reflect upon the character of the human family, upon the fact that Gold plays a very important part in the working of the social system. The idea that the social system would work equally well with or without the presence of Gold or money, is one that is very nearly akin to the theory of communism, to that elysium of perfection which is the dream of all weak-minded but generous socialists. Incomprehensible as it seems to them, the fact remains clear that the office which Gold performs may be likened to that of the life-blood necessary for animation. But it acts, also, as a reservoir of strength, as a guarantee for the value of property, labour, and intelligence. If society were so constituted that all products of property, labour, or intelligence could be exchanged as soon as they are made; if the exchange could take place immediately on equal terms according to the dictates of necessity or pleasure, we might do without Gold.

This equalisation of the nature of man, and all the circumstances surrounding individuals, communities, and nations, is an impossibility. Hence the necessity for a guarantee of the surplus products arising from

the irregularities of social life, immediately or prospectively; hence the fact that the mere presence of money enables labour to be invested in the form of that guarantee, and hence, again, the fact that the absence of money precludes labour from making this investment, thus tending to reduce the value of labour, and to lead, ultimately, to its termination in idleness, and to consequent suffering.

If, then, the quantity of this life-blood and material for "guarantee" becomes reduced, will the system work as well as before? Or, in the event of an increase in this material, will the system work better than before?

The imperfections in the human character, and the conditions of society based upon it, find their set-off, it may be said, in the necessity for the employment of a medium of Exchange; and, singular as the conjunction of exalted speculative meditation on the highest and profoundest social problems with this dry matter of fact subject of money may appear, we have no doubt all the elements given to show that the existence of the closest affinity between the two can be established with mathematical precision. These elements are too numerous for consideration by the human mind; but there can be no doubt whatever entertained of their actual being and presence, which is fully and amply revealed by most patent facts.

We have said that the value of Gold appears to be a combination of intrinsic value and usage value. What are the respective shares held by either in this combination?

By "demand value" we understand the value consequent upon the employment of money alone, so that if the theory of its absolute and sole influence were correct, it would follow that Gold must become completely valueless if we abandon its use as money. This cannot be admitted, for Gold would still retain a very high value as a material useful for many other purposes. It is therefore impossible that the abandonment of its use for monetary purposes could annul its value; and, even though the metal should be found in ten-fold abundance, it would still retain a certain value. The "intrinsic value" of the metal thus has, at all events, a preponderance. We are right then in assuming that we cannot estimate both intrinsic value and demand value at the same rate; so that, if we go to the utmost possible extent of supply—say exceeding in quantity even the mass of iron in the world—we may assume the proportion of intrinsic value as 51 in the hundred, that of usage value as 49, leaving thus a difference in excess of 2 in favour of the former. But if, instead of basing our calculation in the abstract upon the utmost possible supply, we remain within the reasonable limits prescribed by the nature of the case, allowing the possibility of a doubling perhaps, or trebling of the supply, we may for argument's sake assume the proportion of intrinsic value as represented by the figure 60, that of demand value by 40. (This way of treating the question may appear capricious, but we shall show its application.)

Now, if the demand value be taken at 40, as being the result of the proportion between demand and

supply, it is clear that any alteration in the conditions of demand and supply must affect this figure ; and if we follow the rule of the absolute effect previously laid down, a decline to 20 must take place so soon as the supply is doubled, with the demand remaining the same as before. *Instead*, therefore, of a loss of *one-half on the whole* value of Gold, the loss could only be *one-fifth* part.

But this reduction, to the extent of one-fifth in the general value of Gold, can only take place under the supposition that the counter element connected with the usage value remains absolutely unaltered, *in other words that there is no increased demand for the article*. For if the demand increases in the same proportion as the supply, the balance between the two will remain unaffected ; and supposing the increase in the demand should exceed the increase in the supply, the price of Gold would rise in spite of the increased supply. Which of these two opposing forces is the strongest ? The supply of Gold necessarily depends upon what the Earth will yield. The Californian and Australian Gold-fields may or may not show at present a decrease in their productiveness ; but this much is quite certain that their yield will not last for ever. New Gold-fields may be opened in Africa and other countries ; *when?*—it is difficult to say. Upon the whole it may not seem unreasonable to assume that the ultimate yield of Gold will double the quantity of that metal now patently available for the use of man. But we know enough of Geology to be perfectly well aware that there are no such things as mountains of Gold,

and that the comparative rarity of the substance seems to be one of the laws of nature, as it may indeed be said to be in reference to many other precious substances. We must also bear in mind that the annual consumption of Gold, the annual irrecoverable loss from accident, abrasion, gilding, and other processes is very considerable. These reflections combined give us some indications as to the probable range which the subject of supply of Gold may take.

The demand for the employment of Gold rests upon another basis, viz. : that of the extension of commerce, of civilisation, and of population. We find, in the first place, that the development of the inland commerce of civilised nations is capable of absorbing a large increase in the mediums of Exchange; the scarcity of money is a matter of complaint, and on account of the insufficiency of the solid material all sorts of expedients are resorted to to find substitutes for it. The international trade done between civilised states affords ample room for the employment of larger supplies of money; and as the larger supply of the mediums of Exchange leads to increased trade, so the increased trade, on the other hand, calls for a larger supply. Moreover, we have still before us the vast—as yet almost uncultivated—field covered by the people not included under the denomination of civilised nations. These regions form a large extra reservoir, into which commerce, as the forerunner of civilisation, will soon commence to import Gold; and the spread of civilisation will speedily increase the demand for that article in this new field for its employment.

We deem ourselves therefore justified in thinking that the demand has greater power than the supply ; but we admit that this power is slower in its effect, whereas in the supply of Gold we clearly witness a spasmodic rate of progression. The finding of Gold, as shown in the sudden and surprising discoveries in California and Australia, is dependent on accident and limited to periods ; the progress of civilisation is more steady and more sure, and it has ages and ages before it to work its way onward. Given the required time, the race between the supply of and the demand for Gold must thus ultimately be decided in favour of the latter.

Michel Chevalier (to whom we have alluded before), and other national economists were utterly misled by calculating upon this spasmodic action in the supply, without paying due regard to the capabilities of the demand. (M. Chevalier, in his hallucinations, went so far as to advise the demonetisation of Gold). We are prepared to allow that the sudden increase in the raw material for money did at the time produce a rise in the price of goods, and a consequent fall in the value of Gold ; but, instead of finding, some ten years after, Chevalier's extreme apprehensions of a further serious fall realised, we find that a reaction has taken place ; that most commodities have again fallen in price, some to the previous level, and others even lower. (The comparative rise in wages is due to a great extent to the combinations of trades' unions.) The highest average which the rise in the price of goods reached at the time above the usual level, may be taken at

16 per cent. whilst at the present moment the average rise does not exceed 6 per cent. And it ought to be borne in mind, also, that the previous rise of 16 per cent. was due in a great measure to excessive speculation, and to wars.

This retrogression of the prices of commodities in the direction of their former lower level is due to the expansion which commerce has experienced, in consequence of the stimulus given by the increase in the quantity of Gold. The Custom House Returns of all nations will show that the quantity of commodities (without reference to their value) has increased—a fact which complete returns of the home consumption of home produce would make still more clearly evident.

Taking all these facts into due consideration, we are justified, then, to arrive at the conclusion that the present difference between demand and supply is growing rapidly less, and will ultimately altogether disappear, or even that the balance will turn the other way.

The set-off to the proposition of a fall of 20 per cent. which we have previously conceded as arising from a doubling in the supply of the raw material, has therefore been found; and if we now concede that a balance may still remain, we do so only for the purpose of asking what has become of the remainder? implied in the theory that a doubling of the quantity must bring about a fall of 50 per cent. in the value? If the rise in the price of goods now is represented by 6, or say even by 10 per cent., how are we to account for the remaining 44 or 40 per cent. The mathematician

demands that the 44 or 40 per cent. remaining should be duly balanced. We may now avow that the whole of this chapter was written for the purpose of establishing the fact that the balance required is to be found in the increased quantity of commodities, the products of property, labour and intelligence. And what does this mean? It means that a great advance has been made in social happiness, and in the enjoyment of all that we are striving for. And if our rulers were able to find means for a more equitable distribution of this increase which has thus been placed at the disposal of mankind, the benefit derivable therefrom would be still more manifestly apparent.

The theoretical arguments which we have adduced here in our endeavour to explain the subject under discussion, and the practical history of the last twenty years, alike show that the benefit thus reaped by mankind at large is due to the discovery and production of fresh masses of Gold; and, no matter whether we look upon such discovery as a providential blessing, or as an accidental occurrence rather doubtful in its bearing and consequences, we are compelled to attribute the increase in this our general store of wealth to the increase in our raw material for the manufacture of Money.

We are aware that exception may be taken to our way of stating the case; most of our readers will, however, agree, we are convinced, with the general principles laid down by us in arguing the question. We may therefore be permitted here to establish the axiom that "*any increase in the raw material required*

for the production of a medium of Exchange is a positive and absolute gain to mankind."

The application of this maxim will appear hereafter when we come to consider the inverse proposition, viz.: "that any decrease in the raw material used for the production of a medium of Exchange is an absolute loss to mankind."

CHAPTER III.

SILVER AND GOLD.

IN the previous chapter we have confined our remarks to Gold, without reference to Silver, so as to simplify the matter; but our argument respecting the raw material employed for money applies equally to Silver. Silver has been used as a medium of Exchange from time immemorial, and up to a comparatively recent date (within the last thirty years) it was for the world at large the principal Standard of Value.

The history of the ancients shows that Silver money was the general medium of Exchange, although Gold was also used; and Silver serves still to the present day as one of the raw materials for money.

The original exchanging power of Silver is founded, alike with that of Gold, on its "intrinsic" value; the metal belongs to the class called "noble," to which rank it is entitled by its chemical properties. Silver, however, is inferior to Gold in the power of resistance to the destructive action of certain chemical agents. Strong mineral acids dissolve it, and the surface of the metal becomes tarnished on exposure to impure air. These drawbacks render it improper for certain uses;

still, there is an extensive range left of purposes for which it may be applied. It is on account of the inferiority of Silver, as compared with Gold, that the former metal is held $15\frac{1}{2}$ times cheaper in the market than the latter.

Silver is also more plentiful than Gold, and it is right to assume that the larger supply of it has a bearing upon its price; although, so long as the demand for it comes up to the supply, this influence would seem counterbalanced. The question may, nevertheless, be asked: If Silver were less plentiful, if there were only one-fourth or one-tenth of the present quantity in the world, would its value be higher on that account? It may be admitted that Silver would in that case have a higher value; instead of being worth, say $5\frac{1}{2}$ shillings per oz., it might then be worth 8s or 10s, or more. It is idle, indeed, to indulge in a speculation of the kind in the face of the unalterable facts of the existing supply; yet the opportunity may serve to illustrate a singular principle in the questions of supply and price generally. If reference be made to the abstract argument which we have introduced on page 15, respecting a supposed absolute power of Gold to subserve all and every purpose of life, it will be seen that abundance becomes an essential condition, and that without such abundance the absolute value supposed would break down. Abundance, then, becomes a necessity for maintaining value, whilst scarcity acts in the contrary direction. A more practical example is afforded by Platinum, which metal, although not so bright and beautiful as

Gold, is fully as noble. Platinum would be far more fitted for monetary purposes than Gold, because it is much less liable to loss from friction, and being the heaviest metal known, it would be nearly impossible to counterfeit it, as the inevitable difference in the weight of any imitation of it would surely serve to at once detect the attempted fraud. Yet Platinum is worth only about one-sixth the value of Gold, and it is admitted on all hands that this difference in the price is due to the comparative scarcity of the metal, and to its irregular production, which is restricted to certain isolated localities.

We see then that the test of supply as applied to fix the value of an article fails again in its assumed absolute effect. We may, therefore, reasonably assume that if Silver were found or existed in much smaller proportions than it does now, it would lack one of the chief qualifications which fit it for the offices now performed by it, and this would lead to a fall in its value. We may also be allowed to refer to a circumstance which proves that our knowledge of the characteristics of the noble metals is limited, and that additional uses may be discovered for them in the course and progress of time. The discovery that the Salts of Silver are acted upon by light is not of recent date; but the special application of such Salts in photography is now very important. It will be readily conceded that this useful property affords additional evidence of the "intrinsic" value of Silver, and accordingly adds to that value.

The joint use of Gold and Silver for money is as

old as the history of the world; and the popular and common-sense idea of the qualification of both metals for the performance of their respective tasks rests on the fact that they are both of value, and are therefore fit to serve as a medium of exchange and a guarantee of value in passing from hand to hand in the shape of coin or otherwise. The qualification of the two metals to serve as money rests then, both as a matter of theory and a matter of fact, upon certain general principles, and in this sense the remarks which we have made in the last chapter, together with the conclusion arrived at, are applicable to both.

Gold, however, is so much more valuable than Silver that a comparatively small quantity of the former metal is equivalent to a much larger quantity of the latter. It is, therefore, necessary that some rule should be laid down to fix the respective quantities of the two that may be held to represent equal values, since the coins struck of either must be, in each class, of uniform weight and quality. Upon what principles ought this rule to be fixed? Most people will answer that it is the business of the Mint, or of those who establish mintage laws, to determine the proportions to be adopted. So it is, no doubt, and it may safely be taken for granted that the high intelligence of the parties upon whom the task devolves, and their experience and ability to deal properly with the facts before them, may well be trusted to come to a correct conclusion in the matter. Still this conclusion, though based upon the most intelligent and correct appreciation of all the factors at

hand, and which may be perfectly right at the time when it is formed, is liable to be disturbed and upset afterwards by the action of certain natural causes, viz., the varying supply and demand of the two metals.

It will necessarily be upset, we say, if those who lay down the rule fail to devise means to counteract the disturbing influences exercised upon it by such changes in the supply and demand. However, in this we do not mean to assert that these disturbing influences have ever yet been so powerful as to thwart the devices of human intelligence to overcome them. But whether the uncertainty regarding a fixed proportion of value between the two metals be more or less in degree, whether it be real or ideal, it has, at all times, been a subject for consideration which of the two metals, in so far as fixity of value is concerned, should have the preference. The idea of leaving both liable to fluctuations arising from changes in their supply and demand, would, at the first glance, seem less wise than that of determining a fixed value for the one, and leaving the other freely subject to fluctuation. There is a third way, however, viz., to establish fixed rates of value for both metals. In other words, the question is—Is Gold to be the standard, or is Silver to be the standard, or are we to make Gold and Silver conjointly our standard of value? Is it to be the single valuation, or the double valuation? In all contracts and dealings between man and man, in which money plays a part, it is necessary that there should be a legally fixed standard of value for the money, no matter whether Gold or Silver, or both; in other

words, that payment should be demanded and made in what is technically called "legal tender," which the debtor is bound to furnish, and the creditor is bound to accept.

Different nations have followed different policies in this respect. In some countries, in England for instance, the single Gold standard prevails; Gold takes the leading part, and a tender in Gold money for any amount must be accepted in payment, whilst in Silver the creditor is not bound to accept more than £2. In other countries Silver is the only legal standard: the debtor being bound to make and the creditor to accept payment in Silver coin (excepting small change). Dealings in Gold coin are left to private arrangement and agreement between the parties concerned.

There are other countries, again, where the double standard—the Gold and Silver valuation—is established by law, and payments are legal both in Gold or Silver coin (excepting small change).

France, up to a recent period, when some change in favour of the Gold standard was introduced with the view of its entire adoption hereafter, affords the most telling instance of the rule of the double valuation. The proportion of value between Gold and Silver in France was fixed at 1 to $15\frac{1}{2}$ per cent.

Subjoined is a table showing the three systems of valuation now in force, with the respective proportions in which the two metals stand to each other.

SINGLE GOLD VALUATION.

Great Britain	...	1 to $14\frac{1}{2}$	} The limit of tender to which Silver is restricted may generally be taken as £2.
Portugal	...	1 „ $14\frac{3}{40}$	
Turkey	...	1 „ $15\frac{1}{10}$	
Chili	...	1 „ 15	
Brazil	...	1 „ $14\frac{3}{50}$	
Australia	...	1 „ $14\frac{1}{2}$	

DOUBLE GOLD AND SILVER VALUATION.

France	...	1 to $15\frac{1}{2}$	} Payments are legal in either Gold or Silver.
Belgium	...	1 „ $15\frac{1}{2}$	
Italy	...	1 „ $15\frac{1}{2}$	
Switzerland	...	1 „ $15\frac{1}{2}$	
Spain	...	1 „ $15\cdot477$	
Greece	...	1 „ $15\frac{1}{2}$	} In France, Belgium, United States, &c. the lower Silver coins are now debased, and are limited tender.
United States	...	1 „ 16	
New Granada	...	1 „ $15\frac{1}{2}$	
Ecuador	...	1 „ $15\frac{1}{2}$	
Peru	...	1 „ $15\frac{1}{2}$	

SILVER VALUATION.

North Germany	...	1 to $15\frac{1}{2}$	} These proportions are only approximate, as Gold coin varies in price.
South Germany	...	1 „ $15\frac{1}{2}$	
Hamburg	...	1 „ $15\frac{1}{2}$	
Austria	...	1 „ $15\frac{1}{2}$	
Holland	...	1 „ $15\frac{1}{2}$	
Sweden	...	1 „ $15\frac{1}{2}$	
Norway	...	1 „	
Denmark	...	1 „ $15\frac{1}{2}$	
Russia	...	1 „ $15\frac{3}{8}$	} The Half Imperial fixed at $5\frac{3}{80}$ Roubles.
Mexico	...	1 „ $15\frac{1}{10}$	
Central America	...	1 „ $15\frac{1}{10}$	} Gold coin of uncertain fine- ness.
India	...	1 „ 15	
China	...	...	} The Mohur = 15 Rupees.
Japan	...	1 „ $15\frac{1}{2}$	
			} By the recent reduction of the Gold Cobang.*

* Before this the proportion was 1 to $4\frac{1}{2}$.

In connection with this table, it is important that something should be said respecting the total quantities of Gold and Silver now in use. The estimates resulting from the researches which have been made vary considerably. It is difficult, more especially, to ascertain the quantities of the precious metals used for other than monetary purposes (plate, ornaments, &c.); still a fairly trustworthy estimate has been made of the total amount used in one way or another as medium of Exchange. It is not merely the Gold and Silver coin that has to be taken into account in this, but the estimate includes, also, all the bullion, in the shape of ingots and in other forms against which bank-notes are issued, or which is kept hoarded (as is the case notably in India.)

Before 1848 it was estimated that the amount of Gold then in use as coin was equal in value to £320,000,000; the amount of Silver equal to £500,000,000. It is now estimated that the discoveries in California and Australia have added £380,000,000, to our Gold coin and bullion in circulation; and from £50,000,000 to £60,000,000 sterling to our Silver coin and bullion. This gives a sum total accordingly of £700,000,000 Gold, and £550,000,000 Silver, or £1,250,000,000 altogether. For the purpose which we have in view here we may take these figures as a guide,* but it

* We cannot in a work of this kind go minutely into the questions of production, employment and absorption of the Gold or Silver, and the quantities of these metals now in the world. Information on these matters may be found in the works of Jacob, Humboldt, and in "McCulloch's Dictionary" (1869); "The London

must be borne in mind that the mass of both Gold and Silver represented by jewelry, plate, manufactured articles, &c., is also very large. The distribution of these masses of the two metals does not quite follow the rule of the valuation.

In the countries where the Gold valuation rules the Silver amounts to about 15 per cent. on the circulation; where the double valuation prevails it varies from between 25 to 30 per cent. (in France it was formerly much larger); and in some of the European States, where the single Silver valuation holds sway, it is estimated at between 40 to 60 per cent.; whilst in India and the East the proportion of Silver is still larger.

The differences in the respective rates at which Silver is valued in different countries depend partly upon the averages of current fluctuations and partly on Mint laws; but the double standard, as a rule, fixes the proportion as 1 of Gold to $15\frac{1}{2}$ of Silver.

A careful consideration of the figures in the table given a few pages back cannot but lead to the conclusion that the different systems of valuation are somewhat capricious and singular. Thus we find that England chooses Gold, whilst her great colony, India, chooses Silver, and that some of the other States differ from

Economist (Annual Review 1868) " may also be recommended for this purpose.

As regards our estimate of the Gold coin and bullion now in circulation in the world, there can be barely a doubt but that it is a pretty correct estimate; for the quantities of Gold yielded in the

their immediate neighbours. The general public may think little of these incongruities, but merchants, especially those engaged in international trade, and the economist, socialist, and politician look at them

last 20 years by the Australian and Californian mines, or derived from other sources, are known with tolerable accuracy; and it is also easy to estimate and deduct from the total yield the quantities that have been turned to other than monetary uses.

As regards our estimate of the Silver coin and bullion there is greater difference of opinion, and our estimate is considered by many too low. A reference to Dr. Robert H. Lamborn's "Metallurgy of Silver and Lead" (London, John Wheale, 1861) will show how enormous has been the production of Silver; indeed, if ancient accounts are to be believed, the production of Silver reaches to many thousand million pounds sterling in the total aggregate. It is altogether clear that the production of both Silver and Gold must have been very large in order merely to cover the enormous consumption of the two metals. It is estimated that the annual loss sustained by gilding, and by the abrasion of coin, jewelry, and utensils made of the precious metals, amounts to between seven and nine millions sterling, and this is a positive and irrecoverable loss. (McCulloch asserts that the wear and tear in coins alone amounts to seven and a-half million pounds sterling per annum. This estimate, however, is too large; less than one-half of it would be nearer the mark. Losses by wrecks, &c., and above all, losses by gilding, and by the abrasion of jewelry, utensils, and other articles make up the larger share of our estimate here.)

As regards the consumption of Silver, this has been considerably increased by the extensive use of this metal for electroplating, and of its Salts in photography. The consumption of precious metals for ornaments, jewelry, plate, utensils, and in the arts generally, is estimated at about £10,000,000 sterling per annum. The larger part of this is recoverable in case of need; nevertheless, for the time being it is tantamount to the absolute absorption of so much of the precious metals for one of the collateral uses to which they may

in quite a different light. In former times, when the interests of nations were more antagonistic, and intercourse was more limited, the influence of the different valuations was not so much felt; but now-a-

legitimately be turned. One-third of the total annual production is estimated to be coined into money.

If we take into account not only the quantities of Silver existing at the beginning of this century, but also the amount of coin then in circulation and added since that period, with the enormous exports of the metal from Europe to the East, making all due allowance for wear and tear, we arrive at an estimate greatly in excess of 500 millions. Indeed, it is believed by some that the Silver in the world amounts to above 2,000 millions sterling. As an additional element in the calculation it may be stated that the present annual supply of Silver exceeds ten millions sterling, which would give more than 1,000 millions in the course of the next 100 years.

Our estimate of 550 millions of Silver now in circulation as coin and bullion would therefore seem very moderate; and so any error we may have committed in it will tell in our favour. Our estimate, however, has been most carefully formed on pretty safe grounds. We beg the reader once more to bear in mind that these estimates simply and exclusively refer to the Gold and Silver in coin and bullion used for monetary purposes. It is estimated that the Gold and Silver in plate, jewelry, ornaments, &c. is at least equal in amount to the coin and bullion; in England it is twice the value of the currency. Of course the intrinsic metallic value of Gold and Silver articles is dependent upon the value of the metals in coin and bullion.

But no matter whether the figures here given by us are strictly correct or not, the chief question in the matter is the proportion between the Gold and the Silver in use as money. Our figures may be checked by reference to the table of valuations given a few pages back. If there is a mistake in them, it is a mistake on the right side, which can only give additional force to our argument, as based upon an under estimate.

days, when the advance of civilisation, the more rapid means of locomotion, and the creation of many new interests bring the inhabitants of the globe into more frequent contact, the high importance of a uniform standard of value makes itself more and more forcibly felt.

The desire has been expressed to establish a system of Universal Coinage, and Conferences have been held between the delegates of different governments. These have, however, so far not yet led to any decisive result. The difficulties which suggest themselves in reference to an equalisation of the different moneys, in so far as the necessary fractional additions to or withdrawals from our present current coins are concerned, or as regards alloys, or the degree of fineness to be adopted, and many other points, are in themselves serious. *But first and foremost we have to deal with the question of valuation, which must be decided first.* We state this in order to keep the reader's mind fixed upon the point at issue, from which people are apt to swerve, and travel away into the domain of secondary matter, troubling themselves about pounds, francs, thalers, and other coins, and the different qualities of Gold and Silver, their alloys, &c. What we have to consider here is the paramount question of the valuation. Is it to be the single valuation? Gold or Silver? or the double valuation?

The general tendency of late has run in favour of the single Gold valuation. England has rested her system upon this basis ever since 1816; several smaller States have followed her example, and it is now pro-

posed that France shall adopt the same policy. France has hitherto had the double valuation, *i.e.* all the Silver Coin was, according to law, made of the exact value of $15\frac{1}{2}$ parts Silver to 1 part Gold. But since the formation of the Monetary Union between France, Belgium, Italy and Switzerland, in 1866, France has already begun to convert her Silver coinage, from the two francs-piece downwards, into "limited tender" money, by debasing these smaller pieces, and reducing them to a lower degree of fineness. The five-francs piece alone is still maintained at the old standard, and is thus left the solitary link which binds France still to the double valuation; and there are many advocates for the final abandonment of even this piece, so that France would then have the single Gold valuation the same as England. There are others, however, who advise that the double valuation should be maintained.

In the next chapters we shall endeavour to investigate this question, and discuss the merits and demerits of the several proposals now under consideration. It is a question indeed of the highest importance; for if France and the United States, and other powerful nations join the movement, and adopt the single Gold valuation, all other countries will be compelled to follow their example, and there will, accordingly, be forced upon the world a great revolutionary change in the present monetary system,—whether for good or for evil remains to be seen.

The Mint in England issues Silver coin at the rate of 66d. per ounce standard Silver, which in the market is worth only from 60d. to 62d. Hence the Mint makes a profit of from 7 to 10 per cent. on all the Silver coined by it (and a much larger profit still on Copper coin). English Silver currency, to the extent of the shortcoming in metallic value, is therefore properly designated as a "token currency."

It is a singular fact that the majority of Englishmen know nothing of these matters; we have even met bankers absolutely ignorant of them, and when their attention is first called to them they are apt to express their disapproval of, if not their indignation at, what they conceive to be downright imposition; forgetting, perhaps, that it is the law of the land, made by Act of Parliament.

The Mint of England, be it understood, is supposed to coin Gold free of charge for any one who chooses to send in Bullion. This, at least, is the theory; but there are certain restrictive regulations which practically throw the entire business into the hands of the Bank of England, leaving that establishment the only importer of Gold into the Mint for coinage. The expenses of the Mint are therefore partly defrayed out of the profits made by the institution on the Silver coinage, which the State is considered bound, however, to keep in good condition.

This would seem to be a fair arrangement, and on the whole it is; but it is all in favour of Gold at the expense of Silver, and it necessitates the law of legal

tender, to protect the creditor against having an undue amount of undervalued Silver coin forced upon him.

To all appearances also the system seems to answer; there is at least nothing pointedly and directly demonstrating that we are suffering from this system of a debased Silver currency. Besides this, it has generally been the custom in other countries to issue subsidiary coins upon the same plan, and most copper coinages, including that of France, are placed on the same footing, as are now also the new French Silver coins up to two-francs, whilst in Prussia and other Silver-valuing States the smaller Silver coins, below the value of sixpence, have, as a general rule, always been debased. But in France, and of course also in Germany and Holland, the important pieces of Silver are full-valued, whilst in England all the Silver coins, without exception, are debased, *i.e.*, they are not worth, in metallic value, what they profess to be worth. We have said that there is apparently nothing directly injurious in the English system; whether there is anything indirectly hurtful in it to the prosperity of rich or poor remains to be seen.

Taken Gold at 77s. 10½d. per oz. standard (916·6), and Silver at 66d. per oz. standard (925), the proportion of value between the two metals is as 1 to 14½. In France the proportion fixed by law gives 1 to 15½, which corresponds more closely to the average market price of Gold and Silver the last few years in other countries.

We have adduced the instance of England here simply to show the general effect of the single Gold

valuation; but it is not our intention to criticise the English system.

We should very likely rouse a very strong opposition against us if we were to pass unfavourable remarks upon an arrangement which not only has hitherto appeared to answer well here, but seems actually on the point now of being copied by other nations as a suitable model. We will then leave England alone here, which will make us better able, moreover, to consider the case of other States in a more unbiassed and impartial way. We will simply repeat our remark that, as a matter of actual experience, the Silver coin used in England amounts to about 15 per cent upon the Gold currency, or adding the Bank-notes issued against Gold bullion in the Bank, to about 12 per cent.

In the last chapter we have stated the amount of Gold used for monetary purposes in the world at £700,000,000 sterling, with £550,000,000 of Silver. Deducting now from this, say £100,000,000 of English Gold coin and £15,000,000 of English Silver coin, we have left for the rest of the world £600,000,000 of Gold and £535,000,000 of Silver. Now, supposing the Gold valuation to be universally adopted all over the world, it is clear that the far greater portion of the Silver money will have to be put out of circulation. Taking the experience of England for our guide, (15 per cent on the Gold currency), £90,000,000 of Silver would be amply sufficient, which deducted from the £535,000,000 actual Silver currency would throw out of circulation no less a sum than £445,000,000.

This opens a most grave and serious question, which has to be faced, as it cannot be left to chance. We have assumed that 15 per cent. Silver currency are found sufficient in England ; practically the proportion is still less, amounting to only 12 per cent. This proportionate amount cannot be altered by an increase in the Silver coinage ; for if more Silver coins were issued than are required for the mere purpose of "change" for Gold, the inconvenience of an over supply of Silver coin would soon make itself felt. The Government no doubt would be glad to put as much Silver and Copper coin in circulation as possible, as the State derives a large profit from these issues ; but the thing cannot be done without swamping the market with an excess of subsidiary money, and the matter is of so delicate a nature that no sound financier would venture upon the experiment. (The history of such coinages in all ages and with all nations proves conclusively that an over-issue sooner or later produces a fall in the nominal value of the coins, and such over-issues have occasionally brought about political revolutions.) But although it is proposed to effect the universal introduction of the Gold valuation, it may be argued that this is not to be done at once, but by gradations, and that certain States will continue for a time under the rule of the Silver valuation to which they are accustomed ; that, in brief, a transition period will be allowed to intervene and smooth over the change from the actual state of affairs to the single Gold valuation. It is difficult to define what is meant by this transition period ; for if any of the more powerful

states, such as France for instance, were to adopt the single Gold valuation now, an important market for Silver would at once be closed, and other states would be obliged to follow suit at once, or very speedily, as in view of the threatening demonetisation of Silver they would necessarily find themselves compelled to look out for some other outlet for their Silver. And if in France, or elsewhere, a so-called transition period were instituted by law, by way of compromise, the only effect would simply be to put off for a brief time an inevitable event, which *must*, in the end, come to pass, notwithstanding all artificial delays.

Let us, however, for the sake of argument, take it that the case of England is not decisive on the point ; that the 12 per cent., or 15 per cent. upon the amount of the Gold currency cannot be held an absolute criterion for the rest of the world, and let us raise the proportion therefore to 22 per cent. instead of 12, a rise which will certainly amply cover all the probabilities and possibilities of the case, in so far at least as civilised nations are concerned. This will raise the Silver currency required for the future from 90 to 132 millions, leaving thus still 403 millions Silver currency to be disposed of. *What is to be done with this enormous mass ?* * We are told occasionally that India will absorb a large amount of Silver, in fact that that country will take the whole of our surplus stock. A moment's reflection will show that this cannot be. In

* Our remarks on pp. 40 and 41 about this being an underestimate, and respecting the large quantities of Silver besides held in the world, must be borne in mind here.

the first place, India holds already a very large amount of Silver, and has therefore for the present ceased importing that metal; and even though the importation may be resumed at some future time, India is not likely to absorb a very considerable portion of our surplus stock, unless it be at a greatly reduced price. And can it be expected that the greater part of the world's Silver will permanently accumulate in India, never returning to other countries by the operations of trade? The Indian exchanges show that the *export* point from India has already been reached lately.

Besides, the English Government is now straining every nerve to induce the Eastern people to accept Gold; and the general pressure exercised in this direction must ultimately prove successful. The idea, therefore, that India, or the East, will absorb all the Silver, and retain it as a dead stock, never to be returned, is extravagant. The world cannot be divided into two separate halves, the one to use Silver and the other Gold, without making trade almost impossible, as the means of balancing accounts must be uniform. Indeed, India and the East—although we may admit that on account of the greater cheapness of labour over there Silver will be used more extensively there than elsewhere—cannot ultimately keep out of the influence of the monetary laws devised and established by the more civilised nations; even though these latter should agree upon a separate system of valuation among themselves, leaving Asia out of the question, which would be contrary to good policy, and run counter to the idea implied in a system of universal coinage.

What is to be done then with the 403 millions of Silver to be put out of circulation? The suggestion next at hand is that, as the Silver cannot be used for money, its use should be confined to the making of ornaments and utensils. So long as Silver remains at its present value we see no reason why it should be more extensively used for these latter purposes than it is now; we admit that should it fall to one-half or one-fourth of its present value it might come into more general and extensive use for ornaments and utensils; but it is difficult to fix how low must be its price to induce the application of the 403 millions surplus to such purposes. And if we take into account the large annual supplies of Silver which are continually swelling the gross aggregate, amounting as they do to more than £10,000,000 per annum, we see the difficulties of the question become still greater.

A fall in the market value of Silver seems therefore inevitable; let this be 10, 20, 50 or 80 per cent., this will have to be deducted from the gross amount of the circulating medium of the world. It will count as an absolute loss, no matter whether it may come on suddenly at once, or gradually, extending over a certain period.

With the law of legal tender the subject becomes removed even from the operation of natural laws and the principles of free trade, upon which all questions of value are supposed to depend and turn. For, under the universal single Gold valuation, the law of legal tender, which fixes £2 as the highest amount a creditor is obliged to receive in Silver currency, must necessarily be introduced everywhere, not decreeing

simply perfect freedom in dealings in Gold, but making the acceptance of Gold payments compulsory, whilst reducing payments in Silver to a strict narrow limit, and conferring on the creditor the absolute right of declining to receive such payments beyond a very small sum. And inasmuch as under the single Gold valuation the Silver coinage is charged with a heavy "seignorage," and is below its nominal metallic value, it is available for inland exchanges only within certain restricted limits, whilst it is totally unavailable for international exchanges. This leaves the creditor himself no option, but he is *compelled* to refuse the acceptance of Silver currency in payment of his claims.

Let the reader now duly weigh and consider these facts and their natural effects. If he thinks that the compulsory withdrawal of the greater portion of the Silver currency from circulation will not produce a fall in the market value of the article, then he must necessarily admit that this, supposing it to be truly a fact, disproves at once the theory of fluctuation in value, which yet is one of the strong reasons adduced to recommend the introduction of the Gold valuation on account of the assumed lesser liability of that metal to fluctuation in value. On the other hand, if the reader believes with us that the use of Silver must necessarily be restricted by the operation of a universal law of legal tender in favour of Gold, he will surely be inclined also to admit the correctness of our view that the universal introduction of the single Gold valuation all over the world must inevitably lead to a fall in the value of Silver.

One of the first effects of this fall will be a further depreciation of our English Silver coins, which are issued now at 66d. per oz. standard, with the market price of the metal, say at 61d., which leaves a Seigniorage or Mint charge of 5d. per oz. Now, suppose Silver to fall to 50d. per oz. in the market, the difference between actual and nominal value would be raised to 16d. per oz. At a fall to 30d. per oz. the difference would be 36d., and at a fall to 15d. per oz. there would hardly be left any intrinsic value in the coin. Will any one venture to aver that the public could ever be brought to submit even to a limited tender of a coinage so debased in intrinsic value? If such a thing were possible, any other metal, say Copper for instance, might freely be substituted for Silver. Why should not a Copper or Bronze pennypiece have the value of two shillings conferred upon it by law, and pass accordingly for two shillings?

This consideration leads to the conclusion that a progressive fall in the market price of Silver, such as we have been endeavouring to shadow forth in the preceding paragraph, must ultimately end in the complete demonetisation of that metal; since, in addition to the £403,000,000 currency Silver, which we have shown to be thrown out of circulation, and thus rendered useless for the purpose for which they have hitherto been beneficially employed, it is clear that even the £132,000,000 Silver money continuing in circulation as subsidiary coin must be affected by the fall in the market price of the metal, suffering a lesser or greater depreciation of their intrinsic value.

We think, therefore, that we should be justified in including the effect from this cause in our estimate of the amount of Silver rendered useless by the universal introduction of the single Gold valuation; but we need not do this, since it matters not so much whether the gross total of Silver value destroyed is £400,000,000 or £500,000,000. It is quite sufficient for our argument to show that the amount sacrificed is very large. Here our theory will come in, which we have endeavoured to establish in chapter II, viz., "that any increase in the raw material required for the production of a medium of exchange is a positive and absolute gain to mankind; and that any decrease in the raw material used for the production of a medium of exchange is an absolute loss to mankind." For if the present joint amount of Gold and Silver coin or bullion represents the sum total of £1,250,000,000, and if the Silver rendered useless by the universal introduction of the single Gold valuation, taken at £400,000,000, be deducted therefrom, there will be left only £850,000,000 metallic money.

According to our theory, then, *the prosperity of the human race will thereby be affected to the extent of about one-third; the world will become so much poorer in money wealth as well as in commodities.*

The reader may, however, call in question the validity of this theory of ours and of the arguments based upon it, and the conclusions drawn therefrom. He may take his stand upon the notion that "Bullion is of value because it is used as money;" the social system will work equally well, no matter whether

there is much of it or little. If the reader holds this view, he cannot, at all events, escape the rules of arithmetic, which will tell him that, taking it that £1,250 are now required to purchase £1,250 in goods, if £850 are of necessity to suffice in future for the purchase of exactly the same amount of commodities, this supposition must inevitably involve a fall in the price of such goods from £1,250 to £850; *and all property and all labour must suffer a corresponding fall in value.*

Unless then means could be devised to compensate those who lose by this depreciation and demonetisation of Silver, and to reorganise the whole of society upon this reduced basis of value (tasks utterly impossible of accomplishment), we must face the plain patent fact that the loss suffered by property and by labour will correspondingly benefit the holder of money—the capitalist. It is not simply the money actually in his hands from which the capitalist will derive the benefit; but he will gain correspondingly upon all money contracts existing or prospective. All people with fixed incomes, fund-holders, mortgagees, holders of bonds and obligations paying a fixed interest,—all these will benefit in proportion as the fixed incomes derived from these investments will enable them to purchase so much more goods, property, and labour than before.

The author certainly is no enemy to the capitalist; like many other modern socialists, he simply wishes to show and demonstrate here an arithmetical result in which both rich and poor have an interest; for it is the property of the rich as well as the labour of the poor

that will have to suffer from this reduction in the world's currency, whilst the whole benefit of the operation will accrue exclusively to the capitalist alone, whose power it will increase, without any effort of his ; nay, even despite any check he might himself feel inclined to oppose to the effects of this movement in his favour.

There arises then *a great and most vitally important social question here*, which should before all other things engross the minds and command the careful attention and study of those *professing to be advisers of labour and benefactors to the sons of toil*.

When the large supplies of Californian and Australian Gold came first into the market, and the price of commodities for a time showed a tendency to increase, it seemed as if the capitalist, and, more especially, the man with a fixed income would have to suffer from the fresh large influx of Gold. But the effect was only temporary, and the apprehensions entertained about it were soon found to be groundless. The prices of goods speedily receded again, and have now almost entirely regained their former level.

Upon the theory laid down by us in Chapter II., which is practically assented to by political economists, the large Gold supplies have found their counter-balance in an actual increase in goods and commodities, to the great advantage and benefit of mankind at large. But as regards the probable effects of the demonetisation of Silver, the matter is quite the reverse. The abandonment of the employment of Silver for monetary purposes will serve to increase the power

of the holders of Gold definitively and irrevocably. Instead of bringing about an increase in the quantity of commodities, the demonetisation of Silver must inevitably lead to a decrease, which nothing but a decline in prices can possibly counteract.

The equalising tendency of labour, which even now struggles with very inadequate force and effect against the power of capital, will suffer still greater depression, whilst capital will gain a further uncalled-for accession of power, which, again, in its turn, will still more aggravate the evils of the dependance of labour and of poverty.

The effects of a more abundant supply of Gold could only involve, at the most, a *modification* in one of the elements used for money; whereas the demonetisation of Silver implies the almost total *destruction* of one of these elements, in so far as its monetary office is concerned.

If it be conceded then that such would be the results of a reduction of the general stock of money from £1,250,000,000 to £850,000,000, there only remains one more suggestion to be disposed of here, which is often advanced as an effective measure to meet and counteract these results, viz., to cover the outfall consequent upon the demonetisation of Silver by the issue of paper money. All we have to say upon this point is that those who make this suggestion are ignorant of the fundamental principles upon which alone an issue of bank-notes can properly be based. The only substantial ground on which the acceptance of bank-notes by the public, in lieu of cash, rests is the

promise they bear on the face of them to pay their nominal value in cash on demand. Although, therefore, bank-notes may be issued upon the credit of the State, and the guarantee of the Government, yet unless there be assigned at the same time the requisite amount of bullion to redeem the promise of payment in cash whenever required, it is impossible to maintain bank-notes at their par value. Hence it follows that whenever the amount of bullion generally becomes reduced, the most important element for keeping up the faith of the public in paper-money is correspondingly weakened.

This truth may not be clearly patent to every one; but we cannot enter here into the discussion of this question of bank-note issues, and we must leave it to our readers to decide for themselves whether the issue of paper-money is likely to effectively fill up the gap caused in the world's currency by the demonetisation of Silver.

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asmuch as fluctuations in the standard of value are a great inconvenience, it is expedient and wise to choose between the two ways the one which is the less liable of the two to these disturbances, and to adopt therefore one metal alone as the sole standard of value. (This is J. Stuart Mills' "Judgment" of the matter, and some other authorities agree with him.)

The *third* argument is one which suggests itself naturally : Gold is, on account of its higher value, and its smaller bulk consequent thereon, much better fitted to serve as standard than Silver ; it is more convenient to handle, and more suitable to our advanced state of civilisation. Silver, on the other hand, is too heavy and bulky for the purposes of trade, and ought to be set aside in so far as large payments are concerned. This suggestion principally implies a mechanical difficulty.

Reasons like these it must be conceded are very strong, and they are consequently entitled to every respect, and to full and calm consideration.

In the first of the three arguments more especially, it is avowed that a creditor is placed at the mercy of the debtor, by being liable to have to accept payment in either Gold or Silver, whether he likes it or not. This seems opposed to common justice and fairness. Whether the party aggrieved be the creditor or the debtor, the idea that one should be subject to caprice or to unfair dealing without being able to help himself is odious, and on this ground it is felt that there must be something wrong in a system which permits such injustice. But even admitting all this

as true, and admitting also that fluctuations in the standard of valuation are injurious, and that Gold is on the whole preferable to Silver on account of its higher value—recognising, in fact, the full justice of the objections to the double valuation,—it yet remains to be decided whether the injury likely to be inflicted upon the prosperity of the world at large by the demonetisation of Silver is not of far greater importance than these evils can be held to be ; whether, after all, it would not be better to bear with them, rather than sacrifice so much as must be sacrificed if Silver be put out of circulation. This by way of a general reflection.

But we can show besides that the three arguments advanced in support of the single Gold valuation are to some extent fallacious, or at all events that they can be reduced to within very narrow limits of little practical influence.

To say that “the creditor is at the mercy of the debtor,” in having to receive either Gold or Silver at the option of the latter, implies that the creditor suffers a loss, whilst the debtor enjoys a corresponding advantage. But is this practically true in reference to ordinary transactions in life or in trade? Upon what ground are we to assume that the debtor has an advantage in the matter? Inasmuch as it is only too likely that the debtor has himself been paid by others upon precisely the same terms as those upon which he proposes to pay his creditor in conformity with the law, we cannot see how he or his predecessors in the possession of the coin could derive an advantage therefrom. It is only the original producer of the

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coin, or of the material of which it is made, who, by the accident of the greater supply, can derive an immediate benefit from the fact that the production of such material has cost him less than at other periods. Those who succeed him in the possession of the coin do not enjoy the same advantage, and this advantage, which the original holder enjoys, is not confined to the case of Gold or Silver, but extends equally to the case of all other commodities.

We aver that this weakens the effect of the objection practically, though it does not altogether do away with it.

Again, in saying the creditor is at the mercy of the debtor, we seem to assume the existence of two distinct classes of society—creditors and debtors, with antagonistic interests. The creditor, however, must in his turn also become a debtor, unless he is altogether out of the pale of social life; he has therefore the power, as well as the opportunity, of again paying away the metal which he has received in payment. This reduces the practical bearing of the objection still further, and leaves the grievance confined to the balances remaining between creditors and debtors after a series of dealings, if the creditor chooses to keep them invested in one metal; but as soon as he chooses to make himself debtor to another, he acquires the same facilities of parting with the coin held by him as his own former debtor had who has paid him in that coin. It may also be pretty safely assumed that the very process of preferentially using the cheaper metal for payments must in itself tend in

the end to balance the difference. The objection would therefore seem to be to a certain extent more a matter of fancy than of reality ; but even should what we have said here so far be quite fallacious, there remains yet another remedy, one which will completely satisfy both theory and practice.

The creditor indeed is not quite so helpless as he would seem to be ; for as he knows the law of the land, and must be aware therefore of his liability to have to receive payment either in Gold or in Silver, he has it in his power to protect himself against any prospective loss or damage likely to be suffered by him in consequence of such liability. To effect this, he need simply charge a correspondingly higher price for his commodities, when the excess above the ordinary price will serve to cover the loss which he anticipates to arise from the mode of payment likely to be adopted by the purchaser of his goods. The principle involved in this is that of an ordinary insurance premium, and in so far as the question of being at the mercy of the debtor is concerned, it affords, both in theory and in practice, a full and satisfactory compensation. But, whilst the averment that the creditor is at the mercy of the debtor is thus disposed of on its merits, another point takes its place, viz., the raising the price of commodities upon the principle of an insurance premium, which we have to consider accordingly.

The nature of the risk in the insurance contemplated here differs from that of a life insurance, which is contingent upon a single and a certain event. Here

we have a risk upon a double event, with neither of the two alternatives certain to come off. For nobody has as yet ventured to predict which of the two metals may ultimately turn out the more abundant. Ten years ago it seemed as if Gold was likely to become cheaper (which induced Chevalier to warn us of a coming demonetisation of Gold). Since then considerable additional sources of Silver have been opened, which promise to yield a large, steady supply; so that there may after all be no actual risk for the insurance premium to meet and cover. This lessens the chance of a probable difference in value to an almost imperceptible point. Whatever fractional difference there may remain may well be added to the price of commodities, and, as this can generally be reduced to a fixed figure, the result will simply be that inasmuch as goods must bring a fractionally enhanced price, so the joint currency must, as such, bear a slight reduction in value. This principle then affords us a fixed standard, containing in itself all the necessary balancing powers. At all events the standard based upon the principle assumed here, if not absolutely free from fluctuations, is yet much firmer than that established upon the basis of a single metal, which must be subject to distinct and independent fluctuations of its own, placed beyond what would prove to be a controlling and compensating influence were another metal joined to it in the office of currency.

This opens the way to the consideration of the *second* argument, viz.: that the value of the currency *must* be more subject to fluctuations when the standard

is based upon two metals jointly, than when it is based solely upon one of the two.

The fluctuation here meant is that of "Money," money being the unit of measure, no matter whether consisting of one metal or composed of two metals. If one metal alone is used for money, the fluctuations attending on that metal must have a full and absolute effect without a counterpoise to it. But if money is composed of two metals, the value of the measure becomes affected in the event of a fluctuation in the one metal to the extent only of the relative share which that metal bears in the unit. A fluctuation, therefore, which in the single valuation has an absolute effect has in the double valuation only a partial effect. Moreover, if the one metal rises and the other falls in the same proportion, the balance is thereby restored; and if both rise and fall together, the same effect is produced as if the money was dependant on single valuation

In the single valuation the chances are—rise, steadiness and fall, absolute in their effect, and without counterpoise; in the double valuation these three chances annul each other to some extent, the rise in one being only partial if the other keeps steady, and altogether annulled if there is a corresponding fall in the other; whilst in the event of a simultaneous rise in both, which can happen only as one chance out of three, the position would not be worse than in the single valuation. It must be well understood that this method of putting the case applies to "Money" as the unit of measure formed of two elements. The

question of its value is of importance in juxtaposition to commodities ; in that sense it acts as a whole, and as a whole the relative proportions of the two constituents, Gold and Silver, have no immediate connection with commodities, for they are paired together, and act as a united power.

The one metal therefore acts as a check upon the other, and in so far as the fluctuations between money and commodities are concerned, it is perfectly plain that the double system must produce far greater steadiness. It is a simple problem of balances which, on the abstract principle involved, must be acknowledged as perfectly certain in its consequences. And the proposers of this objection to the double valuation proceed upon this abstract ground; they speak of "fluctuations" in the two metals without venturing to put one before the other.

They assume that fluctuations will take place in one or the other, without stating in which direction, or whether these fluctuations are frequent or not, and thus their objection, tried by indisputable rules of logic, is not only altogether overthrown, but their conclusions are turned entirely the other way.

Far different would the case be if the advocates of the single valuation were to make up their minds upon which of the two metals to fix, and endeavour to prove by conclusive evidence that a change in the supply of one of the two *must* assume a permanent character. If, for instance, it should appear certain that there will be an over supply of Gold in future, or that Silver will be found in extraordinary and overwhelming abundance,

so as to completely upset the present proportion, inclusive of the absorbing powers of the future, then we could clearly understand the right of pointing in a special direction; the matter would then become one of practical application, and could be met on firm ground. But as it is, the defenders of the single valuation content themselves with setting up an abstract doctrine, utterly false on abstract principles, and point in all directions of the compass for our guidance.

We have said before that, in 1859, it appeared that Gold would be too abundant; since then new and large supplies of Silver have been found, and, although it is very likely that a great deal more Gold will yet be discovered, it appears, on the other hand, quite clear that Silver keeps pace with Gold. It may hereafter become more abundant—it is in fact impossible to say which way the accidents will turn—but, considering the experience which the world has now made with regard to the characteristics generally of Gold and Silver mines, their distribution, and other geological features of the question, we may fairly reckon upon proportionate rates of supply; they may differ in periods, as has been shown, but it is far more reasonable to assume that the average will be maintained rather than that a sudden overwhelming supply should permanently take place in either material. A supply such as that has lately taken place with regard to Gold, equivalent to a sudden doubling, would not be sufficient to create an important revolution; for in spite of it Silver has not experienced, even before the recent

discovery of new Silver mines, any sensible change.* The supply must be far more overwhelming than this in order to seriously disturb the balance. And here, in confirmation of the assumption that the two metals act as a check upon each other, it may be mentioned that a change in the supply of one metal has always had an influence upon the other in the same direction, either for rise or fall, although not to the full extent.

The *third* argument in support of the Gold valuation is that Silver is becoming too heavy for the purposes of modern trade. Since the fact that it has been used as money from time immemorial shows that it was not thought too bulky in former times, the implication clearly is that it is becoming too bulky and cumbrous now. This implication might seem fair if there had been a proportionate rise in the price of commodities, if goods, for instance had risen $7\frac{3}{4}$ fold since, say, last century. Taking Gold to be $15\frac{1}{2}$ times more

* A serious change in the relations between Gold and Silver nevertheless took place in the 16th century, when Gold rose gradually from 10 to 1 of Silver to $11\frac{1}{2}$ to 1. This was due to the discovery of America and its treasures—an event in the history of the world altogether exceptional. But now, acquainted as we are with the globe, and the leading features of geology, we have gained a firmer ground and can form a better judgment, and it is not likely that the proportions of value between Gold and Silver, as they have been generally maintained for the last three centuries, will again be sensibly disturbed by similar events. When we see a fall in the value of Silver, apparently so heavy as that observed in the 16th century, we feel inclined to admit the correctness of the general principle that a large over supply of the metal tends to lead to a serious decline in its value. Upon more careful inquiry, however, and reference to the experience of past ages, we find that the rela-

valuable than Silver, it might then be argued that this rise in the price of goods had made Gold more, Silver less practically useful for monetary purposes. Or, if the increase in prices had only been four-fold, or three-fold even, the argument might still apply; but, as matters actually stand, prices have not increased in anything like that ratio since the beginning of the century, and an allowance of one-tenth will cover all the increase that has taken place since the discoveries of Gold in Australia and California.

According to the principle involved in this matter its action should begin as soon as prices have increased $7\frac{3}{4}$ fold, and even then there would be no actual necessity for abandoning Silver. But inasmuch as the increase is only one-tenth, we are as yet very far removed from such a contingency, so that the odds are as yet $77\frac{1}{2}$ to 1 in favour of Silver. This method of calculating the subject seems proper; the only point

tive proportions of value between Gold and Silver were then nearly the same as they are now, and that there are in other respects also many breaks in the chain of evidence. The most noteworthy of these is, that since 1848 a positive rise of four per cent. has taken place in Silver. Besides this, the whole theory of supply and demand shows that when one thing increases in supply, whilst the other does not, the former becomes cheaper in comparison to the latter. We remark this in order to demonstrate the small value of a Table made by Mr. Augspurg, a German author, who shows that the value of Gold has risen in Germany from the year 1500 to the year 1849 from 1 to $10\frac{1}{2}$ of Silver to 1 to $15\frac{1}{2}$. Mr. Augspurg says nothing of ancient times, nor does he go beyond 1848; yet it is precisely from that time that in our opinion dates the most important and decisive period in the whole question as it presents itself to us now.

in which we may differ from others is as regards the dates from which to fix the rise of prices. We have taken the time before the increase as the basis, others may go farther back. Were we to go back several centuries we should certainly find prices much lower than they are now, and even approaching the proportion named; but if we go back still further, say to the time of the Romans, we find that prices were not so far removed from the average prices obtaining at the beginning of the 19th century. So that, if the average of all times be taken, the odds would still be in favour of Silver.

That the comparatively greater value and consequent smaller bulk of Gold gives that metal the preference for large payments, is so self-evident that the question need not be raised; but this, certainly, is not a reason why Silver should be altogether given up. As far as international commerce is concerned, exchanges can be made with equal ease in either Gold or Silver for large payments, and where waggons and horses were formerly required to convey large masses of Silver, we now have steam conveyance by land and water, greatly facilitating the transport of the heaviest loads, which is more than sufficient to compensate for any supposed inconvenience as regards "wholesale international" dealings in money.

This reduces the matter to the hand to hand exchange between individuals, and although it is quite clear that a sum of money is carried with greater ease in Gold than in Silver, yet it is difficult to fix a limit. £100 in Gold carried about would weigh, say 2 lbs.,

whilst £100 in Silver would weigh, say 30 lbs.; but even 2 lbs. weight is not convenient to carry in a pocket. Where is the limit to be fixed? £2 in Silver weigh, say 8 ounces, is that a heavy weight? considering that people will and must use copper money, which is much heavier still than Silver, we may fairly take it for granted, that £1 in Silver may be carried about without practical inconvenience.

We quite admit that habit has something to do with this; in England, for instance, the heavy crown piece has been objected to by many people (it is not clear whether the objection may be taken to apply to the weight of the coin, or rather to the instinct which distrusts a large piece of money not worth intrinsically what it represents to be), and the introduction of any piece of Silver above 2s. in value is resisted by certain classes as running counter to the habit of the people. It is questionable, however, whether this habit of the people is not rather fostered by those who rule the issues of the Mint, and whether the sentiments of the people have been sufficiently consulted in the matter. There are many who would not object to larger pieces of Silver (say a 4s. piece), "if they could only get them."

The lowest piece of Gold which we have in England at present is 10s., and since crowns, and half-crowns are no longer issued now, and are being withdrawn from circulation, the florin or 2s. piece is the next coin after the 10s. piece. If we issued 5s. pieces in Gold, as in France they issue 5 franc pieces, we might soon hear of complaints respecting the small size of

the piece, for such complaints are made in France; moreover, the small Gold pieces lose heavily by abrasion. (It is not deemed practicable to increase the size of the small coins by alloying the noble metal more largely with copper).

The lowest Gold coin then in which value could be invested would be the 10s. or the 10 franc (8s. piece), and if Gold were thus the only legal tender, and Silver nothing but subsidiary coin, unable to perform the office and function of money, except within strict narrow limits, the necessary consequence must be that all investments of value below the lowest Gold coin (say 8s. or 10s.) would be practically impeded. And by what rule shall we decide what constitutes a guarantee of value? The man who holds 2s. in savings is as much entitled to a full guarantee as he who holds £100,000, and it is unjust to him to say you must get more Silver first, and then exchange it for Gold. This principle would hold good, even if we did use Gold pieces of 5s. in value. We have assumed that £132,000,000 of Silver might thus be used as subsidiary money in the event of the Gold valuation becoming universal. The modern system of issuing Silver coin short of its nominal value, even supposing the metal to retain its intrinsic value unimpaired, deducts 10 per cent. from the coin, and thus the holders would be mulcted in the aggregate to the extent of 13 millions pounds sterling. In addition to this they are debarred from effecting payments in Silver coin above the value of £2; and all that is vouchsafed them by way of a set-off to this is the advice to get sufficient Silver to enable them to

exchange it for Gold. Now, whether the holders of such coin be the poor or the rich, we cannot conceive by what right such a principle can be maintained. To say that the system has apparently worked well where it has been adopted, and that "it is better to leave well alone," is no proof that it is right; and the allegation that change for Silver in Gold can always be obtained does not cover the wrong involved in the fact that the Silver money in use is not a full guarantee. The question lies between the 132 millions of subsidiary Silver coin and the 600 millions of legal tender Gold coin. Why should the holders of the latter, who must evidently be the wealthier class of the community, alone possess a really valuable coin, endowed by law with the power of controlling and limiting the action and function of the rival metal?

Although the different classes of society are dependent upon each other, yet in matters of possession and means the interests between individuals are to a certain extent directly antagonistic; the very struggle for possession proves this; hence in regard to guarantee of value it would seem advisable to adopt the utmost purity of principle. The pleas of expediency, profit to the State, "leaving well alone," &c. are therefore entirely secondary in their nature, and cannot hold good against the great law of justice, which has no regard to amount.

And if the plea of mechanical expediency, the saying that Silver is too heavy (unfounded as it will appear to those who agree with our views on the

subject), be ranked with the previous pleas, it will certainly appear the least worthy of the three.

A piece of the value of 4s.—the dollar, which has so long reigned in America—is not heavier to carry than two florins, and much lighter than copper money, and a proper supply of good and healthy Silver coin of this kind ought to be upheld in the world. (The question as to how English bankers should deal with such money is one that may be considered hereafter.)

The supposed mechanical difficulty, however, finds another counterpoise in another direction. It is not necessary that Silver should be used in coin in order to be available as money: it can be lodged the same as Gold, in the shape of bullion, as a guarantee for the payment of bank notes to be issued against the bullion security thus lodged, which will proportionately reduce the importance of the objection to Silver on the score of its greater bulk.

For if we extend the consideration of weight to its supposed utmost possible limit, we find that bank notes are the lightest things to carry, and that £20, not to speak of £100, or £1,000 or more in Gold, are comparatively heavy, and we prefer “good” bank notes on that account. Bank notes thus pass from hand to hand; some of them (as on the Bank of England system) may live only a short life, but others complete hundreds and thousands of exchanges without requiring realisation, and the chances of their realisation in Gold or Silver (whichever may serve as guarantee), in lighter or heavier material accordingly, are therefore reduced a hundred and a thousand fold.

But if Silver be set aside it is impossible to maintain its standard value upon the basis of which alone it can serve as guarantee for bank notes. There are many banks abroad which issue their paper against Silver bullion. The demonetisation of Silver would in their case be tantamount of course to the absolute destruction of the basis upon which their issues rest.

The cry for bank notes is incessant, notwithstanding the recent large additions to our stock of Gold. Would it not be better, when we find Gold thus still insufficient to supply the demand, to maintain the value of Silver, instead of having recourse to paper issues without proper metallic guarantee (supposing even this *could* be done)? Here the objection on the score of bulkiness cannot be argued; for after all Silver occupies only a comparatively small space, and a vast amount of it may be stored away in the cellars of a bank to serve as the solid guarantee for its paper issues.

Suppose it were deemed expedient that the issues of either Gold or Silver coin should not be regulated by the accidents of supply, that coin should not be struck *ad libitum*, so as to throw a disproportionate more or less sudden supply on the hands of the public, and thereby affect its value, the bank note system would afford a reservoir into which these accidents of supply might discharge their consequences. So long then as it remains undecided whether one of the two metals—Gold or Silver,—and *which* of the two will ultimately be found permanently in overwhelming

quantities, the bank note system can be made available to absorb temporary differences.

We have thus analysed the arguments advanced by the advocates of the Gold valuation, viz. :

Firstly, the question of justice in paying creditors in either Gold or Silver.

Secondly, the question of fluctuation in value between the two metals.

Thirdly, the question of the comparatively greater bulk of Silver.

Placing to the credit of the advocates of the Gold valuation the full weight of these reasons, we leave it now to the consideration of the reader, whether upon the mere merit of these questions we have succeeded in finding corresponding debits. With regard to the first, we claim that we have found an effective balance in the set-off of the enhanced price for his goods which he who is liable to be paid in either Gold or Silver may demand. With regard to the second, we have shown that the current argument as to the double valuation being subject to more frequent fluctuations is not only wrong, but that it has the contrary effect; so that thus far we have gained a decided balance against the Gold valuation. Whether, in spite of what we have said in reference to the third point, there still remains a balance against us on that score, and whether this balance annuls the advantage gained on the second point, we leave our readers to judge. Many of them, at all events, will concede the validity of our claim to have balanced the objections to the double

valuation; but if others should be unable to agree with us, and if the weight of evidence should thus be found against us, we can bring up certain additional arguments of ours by way of reserve forces, of the importance of which the intelligence of the reader may form an estimate.

We claim, firstly, that the bank-note system modifies the question of payment in either Gold or Silver, and disposes also in a great measure of the third objection, viz., that on the score of the comparatively greater weight and bulk of Silver. And with regard to the second point, if the reader will take a wide view of the question of the supply of and the demand for the precious metals, a view ranging over many centuries past, if he will take duly into account, not only the varying phases of the supply, but also the increasing consumption of Gold and Silver for many purposes, and the extension of commerce, he will perhaps feel inclined to agree with us that the counter-balancing agencies at work must tend to equalise the fluctuations in value, upon which so much stress is laid, and that the present system is sufficiently elastic to meet the requirements of the case; and that, finally, if the question of the value of Gold and Silver be treated in a manner worthy of high human foresight, it will prove useful in maintaining the principles of the actual monetary arrangements of the world for the benefit of posterity.

And if it be argued that this reserve argument of ours, although it may be admitted to reduce to a very small fraction the adverse balance still supposed to be

left, as struck between the arithmetical proportions of importance of the three arguments relied upon by the advocates of the single Gold valuation, and of our refutation of them, it cannot be conceded that it entirely cancels that balance, we have still another argument in reserve, viz., the one involved in the maxim that "any decrease in the quantity of the raw material for money is an absolute loss to mankind."

We are convinced that the importance of these grave considerations will be deemed sufficient by most people to do away to the last vestige with what force may still be left in the reasons advanced against the soundness of our views on the question of valuation.

There is still another resource left which may be called into the field. Gold and Silver have from time immemorial been associated as materials possessing independent powers of exchange, and it has been found necessary to thus associate them. Why should this association be practically severed (as it must be by a law of legal tender in exclusive favour of either of the two metals), just because the exact mathematical relations between the two metals do not seem to be maintained at every given period with absolute nicety? In this tendency to reduce everything to a mathematical and absolute correctness lies the germ of the desire to reduce everything to an equality, until all differences are made to disappear, until at last even the straight mathematical line is gradually shortened to the mathematical "point," which again is deemed too large by some people, who will go on reducing and refining until ultimately nothing is left.

But inasmuch as all laws of nature are a compound of mathematical correctness and wide and endless variety, so there must be in almost all things surrounding man a conflict between these two elements in order to produce life.

Variety thus becomes as important to action as the mathematical rule; and upon this ground may well be placed the action of valuation, for many people believe that if valuation depended on one element only, without the counterpoise supplied by another element, it would fail in its office, because it would become too mathematical in its nature. Thus, the association between Gold and Silver may even from the mere fact of its existence claim to be founded on a natural law.

We are aware that in arguments involving £ s d and dry social questions it is not advisable to fall back upon the laws of Providence, and that the weak-minded only seek refuge in what seems to them the dictate of a higher power. Nevertheless, where such facts as these are before us in connection with the history of mankind, it would be equally vulgar altogether to ignore such evidence and the reflections naturally springing therefrom. And from this point of view the association between Gold and Silver, dating from the commencement of the existence of human society, may be looked upon as established by Providence.

The true philosopher, when his reasonings have led him to a point from which he can see no farther,

falls back upon the "theory of probabilities," and the range of this theory is so immense that it embraces even the consideration of providential arrangements. He who doubts this, or who does not know how to apply the theory of probabilities to facts before him, cannot be a true philosopher, but simply remains a shallow theorist, and becomes dangerous to mankind if placed in a position to influence those who are appointed to rule.

The single Gold valuation, the writer believes, will bring misery to the world, and the curse of posterity will fall on its advocates if they succeed in carrying their theories into practice—theories which, blind to all opposing influences and considerations, they are weak-minded enough to hold supreme.

The reader, he believes, will agree with him that the aspect of this question is a very serious one. There are people who say that the solution must be in favour of Gold, because the whole question has for a long time, so to speak, "hung in the air," and they adduce this as a reason for the execution of the idea implied by the Gold valuation. We, on our part, look upon this "hanging in the air" of the question as the germ of a storm of exceeding violence gathering on the social horizon, which, should it burst, will spread destruction and desolation along its course. Let us hope that it may yet be conjured and dispelled.

CHAPTER VI.

PROPOSAL IN FAVOUR OF THE DOUBLE VALUATION.

THE Gold valuation, as we have shown in the preceding chapter, lacks an element of vitality which is found in the double, or Gold and Silver valuation, through the mutual check of the two metals upon one another. But leaving this out of consideration here, and assuming, for the sake of argument, the Gold valuation not only to be desirable, but actually necessary—the question presents itself, how and in what manner is the universal introduction of the single valuation all over the world to be achieved? We have to ask here, in the first place, whether our estimate of the total amount of Gold and Silver currency in the world is admitted, as well as the fact that Silver serves at present in many States as a full guarantee of value? These admissions made, and the necessity of substituting Gold for Silver being conceded, then comes the question, how is this substitution to be effected without injury or prejudice to the interests involved in the matter? The introduction of the single Gold valuation necessitates the enactment of the same law of legal tender which is now in force in England, where Gold is legal tender to any amount, whilst the tender of Silver is restricted to a comparatively small sum. It is by

the enactment of such a law alone that the required change can be brought about ; and the inevitable effect of such a law, as we have shown, will be a fall in the price of Silver, inflicting thus an injustice upon the innocent holders of that metal. It does not matter whether the law be intended to be immediate or prospective in its operation; the effect will be the same in the end. It may be a very simple act indeed—so is the blow dealt with an axe upon the head of a living being—but it is beyond doubt or question an act of gross injustice and tyranny, no matter whether we take it to be passed in favour of Gold to the prejudice of Silver, in violation of the maxims of free trade, or in favour of the holder of Gold to the prejudice of the holder of Silver, in violation of every principle of justice, since it arbitrarily strips the latter of something lawfully belonging to him, and hands it over to the former.

No modification or amplification of the law of legal tender can be devised to provide full or even partial compensation for the loss sustained by the holder of the demonetised metal. Suppose even the Governments of the States adopting the single Gold valuation were to consent to take all the Silver coin, and give Gold in exchange, the process could never be practically carried out, owing to the irregular distribution of the metal—not to mention the loss on the Silver which would have to be borne by the States.

There might, indeed, be one way left to accomplish this, to wit : that the different Governments should agree to ascertain the quantities of full-valued Gold and Silver coin respectively held in the several States,

and then distribute the Gold coin accordingly; however, this would necessitate the issuing of smaller Gold coins with the same value affixed to them as before, in order to provide a sufficiency of monetary units, and to meet the requirements of capital and fixed income. In this way alone full justice might be done; but the proposal is simply chimerical and utterly impracticable.

The advocates of the Gold valuation generally admit that with the full introduction of their system Silver will be driven from circulation, or, at least, restricted to a very sparing use. But they allege that the large defalcations caused thereby in the currency of the world will be supplied by Gold, since California and Australia furnish such large quantities of that metal. It is true that an addition of from 9 to 12 millions are every year supplied from this source, to swell the currency of the world, from which we have to deduct, however, some $2\frac{1}{2}$ millions per annum for wear and tear of the Gold coinage. It would consequently take 40 to 60 years (supposing the two Gold lands to continue so long to yield their present supply of the precious metal) to replace the 450 millions of Silver coin withdrawn from circulation. Meanwhile, the effect of the demonetisation of Silver would inevitably weigh upon the world with all its disastrous consequences; and what would be gained in return?—except, perhaps, the expected vindication of the soundness of the theory of the Gold valuation!

The supposition of the replacement of Silver by Gold, moreover, pays no regard whatever to the benefit which the world derives from a large supply of Gold *and*

Silver, and does not take into account the increase in trade, civilisation and population. But admitting even, for the sake of argument, all these considerations to be of no importance from an economical point of view, it would still be necessary, in order to do full justice, to *give* all this new Gold to the holders of Silver, as a compensation for the withdrawal of that metal from circulation—a proposition which is of course entirely out of the question.

All these hard facts the advocates of the Gold valuation must make up their minds to face, and deal with them. However good they may consider their theory to be, they must bear in mind that matters of fact and practice are also founded on theories, and if they are capable of constructing a general set of truths from all that presents itself, they will find that their own one-sided conceptions are subject to the sway of a universal law.

The State is bound to conduct the Mint, and must keep out competitors. The suggestion, therefore, that private parties might be allowed to strike and issue full-valued Silver coin is impracticable. And the proposition to tell the Silver holder to exchange his Silver for Gold is simply absurd, as he can obtain the Gold in exchange for his Silver only from the Gold holder, who would thus in his turn be obliged to take Silver in exchange.

Passing from these considerations to matters more special, we will seize the opportunity offering here to refute one of the vulgar arguments which are now

and then used by certain parties against the double valuation. It is said that dealers in money and bullion profit by the differences between the two metals. Those who say so appear to have imbibed a strong and inveterate prejudice against the class. They confound the power of capital with that of the bullion dealer, who traffics in two articles in which it is almost impossible to speculate; for Gold and Silver bullion cannot well be held on speculation, on account of the loss of interest involved; and there is no other article known that can be and *is* so accurately valued in current coin. The dealings and profits of jewellers and money changers are insignificant in comparison with the large international trade in bullion, and the establishment of the single valuation would not lessen them, no matter whether they may be considered fair or not, the same as in any other kind of business. We feel bound to call attention to this subject, for we find that this prejudice is not confined to the common people, but is fully shared in by men who profess to be men of science, and who speak with the voice of authority on the subject, but whose conception of monetary matters is nevertheless clouded, because they fail in ascertaining the clear truth in this respect. Many political economists of the present age belong to this class of *savants*. A prejudice of this nature has had some influence in France, in consequence of the disappearance of the Silver five-francs pieces, as we shall show.

France, indeed, is the country with which the

decision for or against the double valuation rests, and the fate of Europe, if not that of the whole world, will be greatly influenced in this respect by what France is about to do, one way or another.

It is unnecessary here to give a history of the French Monetary laws, but up to a recent period France presented the most perfect example of the double valuation. According to the French Mint law, 1,000 grammes of Gold, 900 fine, are coined into 3,100 francs, and 1,000 grammes of Silver, 900 fine, into 200 francs,* which gives the exact proportions of $15\frac{1}{2}$ to 1. Gold coin, as well as Silver coin, was legal tender, and both were supplied by the Mint in suitable proportions until within the last twenty years, when several causes began to operate against the old system. The discovery of Californian and Australian Gold fell in nearly the same period as the advent of the present Empire, under which France has made such gigantic strides in prosperity. The Exchanges turned greatly in favour of France, and Gold commenced pouring into the country. At the same time the Exchange between England and India rose very considerably, and large exports of Silver from Europe to the East became necessary. So strong was this tendency, that Bar Silver became nearly exhausted, and five-francs pieces were bought on English account to be shipped *viâ* Marseilles. France abolished the small import duty laid on Gold, and thus the export of Silver, in exchange for Gold, became enormous; so much so,

* The charge for coining being 6·70 francs for Gold and 1·50 francs for Silver per kilogramme.

indeed, as almost to drain the country of Silver. Gold now reigns paramount in France, and an important step towards the final introduction of the single Gold valuation has already been made by the Convention between France, Belgium, Italy and Switzerland, which, amongst other matters, enacts the debasement of the lower Silver coins, from the two-francs pieces downwards, by reducing the fineness of these pieces from 900 to 835, without a corresponding increase in weight. The two-francs piece is, accordingly, reduced to the value of $1.85\frac{1}{2}$ franc, and the lower pieces are reduced in proportion; but this debasement of the lower Silver coins necessitated the introduction of a law of legal tender, similar to the English law, limiting payments in the lower Silver coins to 50 francs.

The five-francs Silver piece, however, is for the present maintained at its full weight and 900 fine; it is accordingly full-valued, and is still legal tender, but a limited number only of new five-francs pieces are coined now. France has, therefore, now four sets of Metallic coins, viz.:—

Gold coin	}	Full value and full
Silver coin (five francs)	}	tender.
Silver coin (below five francs)	}	Reduced value and
Copper coin	}	limited tender.

and if the five-francs Silver piece be withdrawn, the position will be—

Gold coin	Full value and full tender.
Silver coin	} Below value and limited tender.
Copper coin	

or precisely the same as in England.

The five-francs piece then constitutes for the present the last remaining link of the double valuation in France, and its proposed abandonment now would appear tantamount to a confession that the double valuation has failed, that France is about to follow the example of England, and adopts the single Gold valuation as the better system of the two.

There are many economists, however, who maintain that the double valuation has, in this instance on the contrary, demonstrated its elastic powers and its value, for if France had not been in possession of so large a quantity of Silver she would have been unable to obtain so much Gold in exchange; she would either have received less Gold, or her industry would have been depressed in order to obtain it. France, therefore, has suffered no damage from the exchange; on the contrary she has benefitted by it, since she actually obtained a premium on her Silver, varying from 1 to 2 per cent. This element of power, which from its very nature, as shown in the case of France, is susceptible of a wide distribution among the less prosperous classes of society, and forms a healthy reserve in metallic wealth, will be lost in future if France gives up its full-valued Silver currency.

On the score of convenience, in so far as France herself is concerned, it appears that the absence of five-francs pieces is complained of already by the agricultural and other classes, and that the majority of the nation would prefer a proper supply of full-valued Silver coin.

A certain class of French economists, however, choose to ignore these considerations, and appear determined to carry out their maxims, irrespective of all reasonable objections and all serious reflections; and, inasmuch as France now holds an enormous stock of Gold (the Bank of France has about £50,000,000 sterling in Gold in its cellars), circumstances favour the execution of their plans. Arguing upon the basis of their mathematical conceptions only, the champions of the Gold valuation invent a number of catch phrases which mislead others. They assert, for instance, that the Gold and Silver valuation constitutes an alternate standard, being at one time based on Gold, at another on Silver, and that the cheaper metal will supersede the dearer. This seems, indeed, to have been the case in France since Silver was so largely exported from that country; but does it not seem singular, when Silver is thus admitted to have been the dearer metal of the two, that steps should be taken to demonetise it? Proper reflection upon the cause of this absorption of Silver would show that, instead of its being the consequence of the double valuation, it is rather the consequence of the single valuation, *i.e.* the single Silver valuation reigning in the East. The fault therefore lies between the two extremes—the Gold valuation in England, and the Silver valuation in Asia. If India had been able (as England now endeavours to bring about) to take Gold as readily as Silver, English Gold, instead of going to France to pay for Silver, might have gone direct to India, with greater commercial, social, and political advantage. In short, if the double

valuation had ruled all over the world, Gold and Silver would have gone together, and the French monetary system need not have been disturbed.

This same class of political economists, with their sounding catch phrases, are open to the charge of what may properly be designated as "Anglomania"; they would model everything in France upon the pattern of English institutions. This is no doubt very flattering to Englishmen, but if the leading men of that party (with Michel Chevalier at their head) had really the sober practical judgment of many of our English financial authorities, they might possibly be led to abate their "re-forming" ardour in reference to many matters of this kind.

Fortunately this affair is not yet settled, and the resources of intelligence in urging valid pleas against its final settlement in the sense contemplated by the Chevalier school are not exhausted. The final decision may yet rest with the chief of the State in France.

France leads the way in this question. If she goes in the right direction, the other States must follow in her wake; if she goes in the wrong direction, she will, in spite of her pre-eminently more favourable position, suffer in the end from the general reduction in value. Her capitalists alone will benefit,—all the rest will suffer. The ruler of France, it is to be hoped, will pay due regard to the true interests of property and of labour, and will take care that the history of his reign shall not have upon it the blot of the record that he sanctioned an act which not France alone, but all mankind, will hereafter regard as one of the greatest curses.

In the United States the position of matters is not unlike that of France. The lower Silver coinage has been debased, but the full-valued Silver dollar is still current by law, although the Mint has ceased to coin new Silver dollar pieces. Gold is abundant in America, and the Delegate of the United States at the Paris Conference of 1867, who, in this question seems to lead, is warmly in favour of the Gold valuation and the French system generally. Indeed, so active and energetic is this gentleman in the matter, that would he but condescend to look into the general question in the same way as we do here, or endeavour at least to be less one-sided, we should have great hopes of being able, at some future time, to look upon him as a benefactor to his species.

In Germany, Holland, Sweden, and other Silver-valuing States the question has a different aspect, as may well be inferred from the antagonistic meaning of Gold Valuation *versus* Silver Valuation. Although a good deal of Gold is current in these countries, especially in Germany, yet the basis of the currency is Silver, which constitutes also the larger portion of the material guarantee of value in the hands of the people. The complete reversal of this state of things must be equivalent to a revolution in these countries in all matters of finance, and in all social relations generally in which money is the measure of value. For these countries, therefore, the question is one of very great gravity. Yet even in Germany, where as a rule investigations of this kind are generally conducted with surprising acuteness and exhaustiveness, we meet now and then with singular views in reference to this

subject. By way of illustration we give a passage from the Annual Report of the Handelskammer of Cologne, published in the *Cologne Gazette* on the 17th of July 1869, where we find the following remarks in reference to the threatening change in the valuation :

“ It would further be necessary to commence with the purchase of Gold against our Silver in the open markets, and to deposit this Gold in the meantime to replace the stores of Silver in the public “ cash ” establishment, or the banks. After acquiring sufficient stores of Gold, the Silver dollars current would be replaced by Golden pieces of 10 and 5 florins, and withdrawn from circulation at a rate of exchange which, after a given time, would result from the average proportion of value between Gold and Silver. With this the reform would be completed.”

The naivety of this conclusion is quite charming. With whom do the gentlemen of Cologne propose to exchange their Silver for Gold? Will France, Belgium, Italy, Switzerland, America, or England take it? The only possible purchaser might be India, or England for Indian account. But India already has a vast stock of Silver, and California now supplies a great deal direct, so that unless a considerable rise in the Indian exchange should nevertheless take place, England will not require so much Silver for India as before. Besides, England does her best to make Gold current in India, and the production of Silver in the world at large is otherwise sufficient to supply India, if at some future time Silver exports from Europe to India should be resumed. If, therefore, the Germans think of adding their own stock of Silver to the Indian exchange, they can only do so at a heavy loss.

India, and the East generally, where the single Silver valuation reigns supreme, has the greatest interest in the question. The currency of the East consists almost entirely of Silver, which seems more suitable for the Eastern people, as wages for labour are much lower there than in Europe. The march of civilisation, however, tends to raise wages, so that some modification in this respect may be expected to take place in the East.

Many millions of Silver are hoarded in India, and are thus withheld from circulation, because the Indian Mint takes off $2\frac{1}{2}$ per cent. from the Silver sent in for coinage. A fall in the price of Silver all over the world could therefore not fail to inflict a large loss upon India; for, what with the efforts to introduce Gold into India, and the large accumulation of Silver there, and the improved state of social matters which the English administration of the country is likely to bring about, a return of Silver to Europe is very probable; but, as the markets in Europe under the Gold valuation would become closed to Silver, India would have to suffer a heavy loss—perchance even actual ruin, considering the vast amount involved. This reflection leads us now naturally to the consideration of the question as regards the British Empire in particular.

Great Britain has, since 1816, been under the rule of the Gold valuation, which the advocates of the latter assert has answered very well. Before the introduction of the Gold valuation in Great Britain the

question was largely discussed by a number of political economists, and there actually sprang up a special literature upon the subject, advocating the introduction of the single standard. And now we are triumphantly told that France and other countries are about to follow the example of England. What further or better proof of the soundness of the Gold valuation can be required or desired than this?—ask our opponents of us. We must admit that the case of the advocates of the single Gold valuation seems strong upon these grounds. Besides, he must be a bold man who would dare to beard the lion in his den, more particularly when he knows that the said lion is obstinately attached even to those prejudices of his upon which he has not yet fully made up his mind, but still retains some lingering dash of doubt about their soundness.

The case of the British Empire, however, presents this strange peculiarity, that the Gold valuation had its first origin in the ruling portion of it, Great Britain, which represents at the same time its most complete type, whilst the most important dependency of the Empire, India, affords the strongest opposite type of the Silver valuation. As a whole, therefore, the British Empire, upon which the sun never sets, has an interest in the question of far greater importance than all other States, not only on the ground of the principles involved, but also, and more so still, on the ground that, considered as a question of the relative number of British subjects respectively interested in the two systems, the balance preponderates greatly in favour of Silver, as it does equally with regard to the

respective amounts involved of the two metals. The whole currency of Great Britain in Gold, Silver and Bank Notes is about 125 millions sterling, whilst the Silver in India (coins, bars and hoardings) is estimated at 200 millions sterling, and more.

In spite of the fact then that the English Gold valuation seems to have worked satisfactorily thus far, and appears to be looked upon as a model to be adopted by other nations, there may still be very fair grounds *for our placing the subject of the double valuation again before the British public.*

The single valuation was introduced in England in 1816, after the wars with Napoleon I, when the monetary matters of this country were in a disorganised state, and when it was comparatively easy to make a change. The policy adopted to give an almost free coinage for Gold against a heavy charge on Silver was, we are ready to concede, a good one for England at the time; for it would be difficult to show by direct and conclusive evidence whether or not the depression of Silver coin, the money of the poorer classes, had an effect upon the increase of pauperism, as many people believe. But, as regards the British Empire, the policy was bad; for it estranged the country from some of its Colonies, notably India. It also created this difficulty: The people of England have become accustomed to use comparatively little Silver the banks accordingly do not hold stocks of Silver bullion, and, in the event of a crisis, the mercantile community is left entirely dependant upon Gold.

When India does not require Silver, the large

Silver shipments arriving in England are sent away to the Continent at a cheap rate ; so soon, however, as the Indian Exchange requires Silver, they have to be brought back again at a higher price, inflicting frequently, in the short space of a few weeks, a direct loss of from 2 to 4 per cent.

These and other reasons may be advanced against the English system of valuation ; still, however valid they may be, we are quite aware that they will be held of no account—the simple fact that the Gold valuation has done well for the country, to all appearances at least, being set against them. Under these circumstances we find in England even political economists of clear perceptions, who will say : Why make a change ? leave well alone !

At the first glance this seems to be pretty sound policy, we admit, and we are ourselves rather inclined to the Conservative side in matters of this kind. But then an important consideration presents itself here to wit : What will become of the English Silver coinage itself, if the price of Silver elsewhere falls ?

It must be admitted that the current market prices of Silver, from 60 to 62 pence per oz. standard, have been maintained hitherto because either the Continent or India took our Silver from us. Suppose these two great markets, or even one of them, the European Continent, to be overstocked and closed against further supplies, the people there will be in the same predicament with their surplus Silver bullion as we are here, and Silver must fall. Then, as English Silver coin is issued as nominally worth 66 pence per oz., if the

price of bar Silver should fall to 50 or 40 pence per oz. will it be still possible to maintain the value of our Silver coin at the arbitrary rate fixed for it by our Mint law? Those who could answer this question in the affirmative must really be blessed with a degree of faith in "Seignorage" on Silver coin which has never yet been found in the world.

The fact is, our *English Silver coin has hitherto kept up its value at the rate fixed simply because England stood alone in her system of the Gold valuation, and Silver had a value abroad if not here. But if other nations adopt the English system, this compensatory action of the demand for Silver from abroad will necessarily cease, and thus the whole basis of our Silver coinage will be seriously affected.*

To illustrate the state of the question metaphorically, England may be said to have occupied hitherto one scale of the balance, the other nations the other, thus maintaining a mutual equipoise; but if the other nations are compelled to leave their scale and step into that of England, the latter must necessarily sink.

These considerations, however, may be held of minor weight in comparison with the inevitable chief result which the spread of the Gold valuation will produce all over the world. We have demonstrated before that if Silver is abandoned, and Gold is made to do its office, the value of Gold must rise very considerably. England cannot escape this any more than other States; she must either part with her Gold in return for the cheapened products coming to her shores, or the price of property and labour in the

country must fall in obedience to the dictates of international trade. And, whilst thus the poor and labouring classes, as well as the holders of property, will suffer, the capitalist and the man of fixed income alone will profit (perhaps to the extent of 25 per cent.), which will give capital and fixed incomes so much the stronger hold. This is tantamount to a corresponding increase in the already enormous national debt, and to an equal increase in the weight of taxation.

Upon these grounds we think we may venture to re-open the question of the general policy of England in the matter of the currency, without offending the natural prejudice in favour of our English system of valuation. It must be remembered also that cries for some reform in the currency generally are frequently heard, which, although they are not distinctly in favour of the double valuation, but simply express an undefined feeling of dissatisfaction, are well worth taking into account. Lastly, it must be borne in mind also, that proposals have lately been made for an international system of coinage, in the establishment of which England, from her position and wealth, must, of course, take a leading part. All these facts tend to strengthen our case, and to plead our excuse for re-opening the question at this opportune moment.

The practical suggestion which we make in the matter is simply this:—Let England introduce into her currency the full-valued Silver Dollar, coined so as to be worth exactly five francs. The new piece, in

fact, should be of same size and fineness as the French five-francs Silver piece. It might be called the Double Florin or the Dollar. This is all the alteration, or rather innovation, required to settle a very important point; the rest of the British coinage, both Gold and Silver, may remain precisely as it is now, and no disturbance whatever of any mint laws need take place. What are the objections to this new Dollar piece?

First, an objection may be urged against it on the score of weight. We formerly used the 5s. piece, which was considered heavy; this proposed new piece would be one-fifth less, and about the weight of two bronze penny pieces.

Another objection may be raised by bankers, who are not accustomed to such pieces. Bankers, however, receive now large quantities of Silver, and the addition of this new piece would not make much difference, unless it were at once made legal tender, which we propose should not be done at present.

As a third objection, it may be urged that this new Dollar piece would be instrumental in introducing the double valuation. This we fully admit to be the case; it is our distinct and intentional proposal, on the strength of all we have advanced on the subject, that England should create some such link between the two valuations as the one here suggested.

We propose that, in order to test the public feeling, Parliament should sanction the issue, to a fixed limited amount, of double Florins, weighing 386 grains 900 fine; that, in order to suit the convenience

of bankers, the legal tender in pieces of this kind should first be limited to £5 or £10.

We affirm that the following advantages will arise from the adoption of this policy :—

The people will again become accustomed to Silver coin of a reasonable size, and they will, perhaps, even like the new piece. The use of the new piece, and the example set by England in using it, will afford some support to the price of bar Silver.

The double Florin will pave the way for the introduction of the Sovereign into India, being the exact fourth part of it in value, whilst the Rupee is inconvenient as a divisional coin for a 20s piece. After the introduction of the full-valued double Florin, the present Rupee may be used for subsidiary money, the same as our English Florin is used here.*

The double Florin will also afford a link for the carrying out of some scheme of international coinage, for it will be observed that, if England adopts this plan, her Silver coinage will be precisely upon the same basis as the present modified plan of the French Silver coinage, and thus a considerable step will be gained towards unity of coinage, although the fractional differences between the gold coinages will still remain.

This proposal is not revolutionary. It leaves untouched all existing regulations, and does not interfere

* A complete plan in reference to an alteration of the Indian system, creating a double Rupee, or Dollar, or one-fourth of a £ sterling, is given in "Bullion and Foreign Exchanges."

even with the debasement of the lower Silver coins. The introduction of the new Dollar piece proposed, coined either free of charge, or at a small charge for mintage where private parties import Silver into the Mint for coinage, cannot be much expense to the State.

At some future time, when some experience shall have been gained of the working of the new system, the question of raising the legal tender limit of the new Dollar to above £2 or £5, or £10, or to full legal tender, may present itself for consideration, and may then be settled according to the respective requirements of each country, until the whole experiment is worked properly out, resulting finally either in favour of the Gold valuation, or in favour of the double valuation.

The manner in which we propose the introduction of this 4s. Silver piece will show that we pay due regard to the peculiar position of monetary matters in England, and that we refrain, under these circumstances, from at once recommending a complete change in the direction of the double valuation. Our suggestion is rather one of compromise, and may be accepted upon this basis. At any rate our proposal is worth the consideration of financiers, who, having regard to the position of England, her Empire, and her influence upon the whole trade of the world, may agree with us that in such a question as that of the valuation England should take the lead. France may even disregard the effect which a change in her present system will have upon her labouring classes, and she may use her present advantages as a political weapon

against her neighbours; but in England the subject is one of greater purity of theory and of far wider-spread practical application.

However strongly we in England may feel disposed to believe in the soundness of our views on things, and in the propriety of our proceedings in all matters social, financial, and political, we have no right to disregard the views and proceedings of other nations. We have no right, for instance, to say that Germany, Holland, and other Continental States are behind England in matters of civilisation; and when we find that they use Silver, whilst we use Gold, we must allow that *they* may have good and valid reasons for preferring Silver. This idea in itself should suggest serious reflection, and open the way to a compromise between us and them, especially as our own interest in India would make such a compromise even desirable for us.

If in a matter of this kind it be legitimate to utter an opinion, formed on a deep and careful study of social relations, general and special, the author may venture to say that, in his judgment, the double valuation would confer upon all classes of Englishmen a benefit of the extent of which it is difficult to form an estimate. The poorer classes in this country require to be raised in the social scale, and all other classes will rise in proportion; and one of the chief elements necessary to effect this is a good and healthy independent Silver coinage that may serve the poor and labouring class as a full guarantee of value for all purposes.

The Bank of England, according to law, may hold one-fourth of its bullion in the shape of Silver, *i.e.* it may issue notes against Silver bullion to that extent; so that on an average, estimating the Gold bullion at from 16 to 23 millions, it might hold from 4 to 7 millions in Silver. It was no doubt the original design of the monetary reformers of 1816 to carry out this rule, and the intention was wise, for it shows the desire to retain a stock of Silver in the country. Unfortunately the Bank has not been able to carry out this design, it has held Silver in small proportions occasionally, but for a number of years not an ounce of Silver bullion or Silver coin has been in the Issue Department. The varying price of Bar Silver and the over-value of Silver coin made it impracticable for that institution to issue Notes against them.

The present issue of 15 millions of bank-notes under Government guarantee is frequently objected to, as being the cause of our periodical mercantile crises, and the remedies suggested at such times are of the most contradictory nature. One party desires an extension of issue, the other prefers its entire abolishment as something unreal. It can be shown that although the 15 millions issue are not the immediate cause of mercantile crises, which are rather the consequence of commercial imprudence, they nevertheless encourage speculation. We have, in this country, a total circulating medium of, say, 125 millions, of which 100 millions may consist of metal, 80 millions being Gold. The business of the nation is done by these means. Assuming that two-thirds of this

amount is required to effect local exchanges, *i.e.*, the many thousand millions of transactions for interior intercourse, we may assign one-third to our relations with foreign trade. Our dealings in goods with abroad may altogether amount to 400 millions per annum; but a very much greater amount is involved in the financial business connected with shipping, railway, industrial and Stock Exchange operations, so that if from the returns of the London Clearing House we take only one-half, and a corresponding share for other ports and trading towns of the United Kingdom, we may estimate the total of transactions connected with outward commerce at 1,600 millions per annum. This enormous amount of business is done on a basis of money, consisting of, say, 30 millions of bullion and 10 millions of note-issue (leaving 5 millions for local employment). A trading loss of $2\frac{1}{2}$ per cent. on 1,600 millions would absorb the 40 millions; and that our mercantile imprudence can lead us into many millions of losses,—be it in American railway schemes (Atlantic and Great Western, &c.), Confederate Loan, and similar enterprises, or in the over-stocking of export market and speculation in imports,—the history of the last few years will prove again. Without, however, going so far as to assume a full loss of $2\frac{1}{2}$ per cent. on a year's transactions, it may easily be inferred that if the whole period of years intervening between the crises be taken together, a mass of engagements may be contracted for, which, with all the help of our acceptance credit, and the facilities which foreign bankers

accord to a certain portion of our merchants, can be continued for a time, but which must enter into liquidation at some period or another. This period is generally hastened by untoward events; the liquidation is precipitated; acceptance credit and foreign credits are curtailed, and the balance of loss leaves the country in the shape of bullion. Local fear adds its influence to the withdrawal of Gold, and the Bank of England finds itself near facing the contingency: "the promise to pay" 15 millions of notes for which it has no Gold actually in hand.

All this is not new, but what we desire to point out is this: that the 15 millions of notes issued are a part of the basis upon which the whole enormous business is done, and that they are involved in the whole; that if they had not existed mercantile imprudence would have been limited to operations based upon the actual store of bullion, and no harm would arise in a liquidation the balance of which could thus be paid in hard metal at a moment's notice. But if instead of issuing the 15 millions of notes against government guarantee, we could secure them by a stock of Silver bullion, a solid metallic guarantee, we might then liquidate many foreign accounts, especially Continental and Eastern claims, by means of Silver, and thus militate against the terror and trouble of mercantile crises.

This can be done if England will introduce into her monetary system one fully-valued Silver coin, as we have suggested, for thereby the value of bar Silver will be upheld here as well as elsewhere.

In taking leave now of his readers, the author once more asks them to bear in mind that this question of single or double valuation stands quite alone and apart from all other matters connected with coins or money, such as weight, quality, alloy, seignorage, mintage charge, &c., that it is simply the broad question: "Shall the world abandon the use of Silver for legal payments or not? Is Gold alone to be in future the only legal tender?"

The writer has put this matter forth in his own imperfect manner. If he is wrong, either in his facts or in his principles, this must be shown on clearer grounds and by weightier arguments than have hitherto been brought forward in favour of the single valuation. If he is right, on the other hand, or even only partially right, the gravity of the subject will be apparent to every one.

What are wars, revolutions, and disasters, compared with the calamitous consequences involved in this case? to wit: further depression of the price of labour and the value of property, a fresh accession to the power of capital, and the total or partial destruction of the use of a valuable metal!

That a reduction of the quantity of solid money in circulation in the world, from 1250 millions to 850 millions, must bring with it a corresponding reduction in the value of property and of labour, is so simple a problem that we can fairly defy the advocates of the single Gold valuation to prove the contrary. It is a violation of common honesty and common prudence, of the dictates of civilisation; and every sociologist,

who has at heart the welfare of his fellow men, should oppose the threatening committal of this crime with all his energy.

Let us hope that higher and wiser councils will yet prevail than those which are now exercising their influence in the decision of this most momentous question. Let us hope that the master minds amongst our English political economists will grapple with this subject, in spite of prejudice; and by so doing the vindication of the purity of principle will be all the more brilliant. Let us hope that the Supreme Council will come to the aid of human intelligence to guide it to a proper and beneficial solution.



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